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ABSTRACT

These volumes update the three previous editions (published for 1976-77, 1978-79, and 1986-87) by describing school finance programs in 1990-91 in the United States and Canada. This effort is descriptive, rather than prescriptive. The volumes consist of two major parts. The first part provides an overview of the school finance systems in the two countries. The overview draws primarily on information in the state and province descriptions in the second part of volume 1 and all of volume 2 but is supplemented where appropriate by information from other sources. The revenue of U.S. public elementary and secondary schools was $222.7 billion during 1990-91. Nearly half this revenue (48.3 percent) was provided by state governments, 45.5 percent by local governments, and 6.2 percent by the federal government. Revenue per pupil varies from $9,447 in New Jersey to $3,341 in Utah. Information in the state description section is highlighted in a series of tables covering basic state support programs, local support of schools, capital outlay and debt service, transportation, special education, other selected categorical programs, and teacher retirement programs. The second part consists of descriptions of the school finance systems in 49 states and 10 provinces. No description was obtained from West Virginia. This section closes with a listing of state and provincial education department contacts. Numerous tables and figures are included. (MLH)

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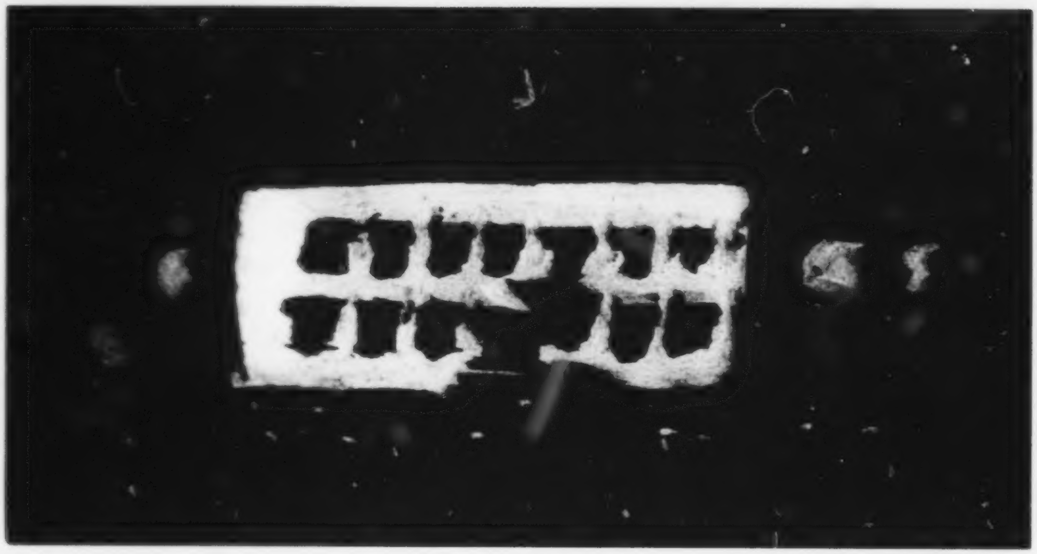
Public School Finance Programs of the United States and Canada

1990–1991

Volume One



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PUBLIC SCHOOL FINANCE PROGRAMS OF THE UNITED STATES AND CANADA

1990-91

Volume 1

Compiled and Edited by

Steven D. Gold
David M. Smith
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American Education Finance Association

and

Center for the Study of the States
The Nelson A. Rockefeller Institute of Government
State University of New York

1992

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ABOUT THIS BOOK

Funding public schools is one of the most important functions of states in the United States, provinces in Canada and local governments in both countries. Every state and province has a unique system of school finance. These books respond to the great demand for descriptive information about how those school finance systems operate.

These volumes continue a series on *Public School Finance Programs* that was originally published by the U.S. Department of Education for 1976-77 and 1978-79. The third edition of the series, dealing with 1986-87, was published by the American Education Finance Association (AEFA) in cooperation with Virginia Polytechnic Institute and State University. The 1986-87 book went beyond the previous ones by including descriptions of how schools are financed in each Canadian province.

These volumes update the previous ones by describing school finance programs in 1990-91. In Colorado, New Jersey and Oregon, where the 1990-91 programs have been largely superseded by major reforms subsequently enacted or implemented, exceptions are made, with the description primarily dealing with post-1990-91 provisions. In a small number of other states, including Iowa, Kansas and Texas, where major changes have occurred since 1990-91, much of the description is no longer applicable.

The purpose of this effort is description, not prescription. As discussed in the User's Guide that follows, it should be helpful to persons and groups interested in developing new education initiatives by describing approaches in other states, but no effort is made here to say how reforms should be designed.

These volumes consist of two major parts. The first part provides an overview of the school finance systems in the two countries. The overview draws primarily on information in the state and province descriptions in the second part of the books, but it is supplemented by information from other sources where that enhances the discussion of school finance systems.

The second part of the volumes consists of descriptions of the school finance programs in 49 states and 10 provinces. No description was obtained for West Virginia. The authors of the state and province descriptions are a diverse group, including education department officials, faculty members at universities, legislative staff, and others. Each is an authority on the school finance programs of his or her state or province.

Readers are cautioned that not all of the information in the state descriptions is comprehensive and consistent. The editors devoted considerable effort to working with the authors of the state and province descriptions to fill in gaps and correct questionable data, but resources did not permit exhaustive verification of all data. That is one reason why in some cases information from secondary sources is used in the overviews.

Readers should note that at the end of the book addresses and phone numbers are provided of sources for additional information in the education department of each state and province. The Center for the Study of the States does not have additional detailed information beyond that included in these volumes.

Division of Responsibilities

The editors worked together as a team in preparing these books. The design of the project and instructions to the authors were developed by Steven Gold, who worked closely with the other editors in all phases of the project. David Smith was primarily responsible for editing state descriptions and most communications with the authors in the United States throughout the project. Stephen Lawton with the assistance of Brian Fennell was responsible for all aspects of the Canadian overview and descriptions. Andrea Hyary prepared most of the Highlights of State Descriptions in the first part of the book and assisted with other aspects of the editing during the final stages of preparing the books for publication.

ACKNOWLEDGMENTS

The editors of these books gratefully acknowledge the assistance of the authors of the individual state and province descriptions, without whose contributions this project would not have been possible.

Financial assistance was received from four sources: the National Center for Education Statistics, the U. S. Department of Education; the American Education Finance Association (AEFA), which lent money to help get the project underway; the Research Foundation of the State University of New York, which advanced funds to cover costs before funding was received from other sources; and the Henry Luce Foundation, whose support for the Federalism Data System of the Center for the Study of the States was invaluable.

The entire staff of the Center for the Study of the States assisted with this project. Jennifer McCormick, Sarah Ritchie, and Sam Thompson helped with preparation of material for the United States Overview, communications with authors, and in other ways. Jennifer McCormick's assistance in editing merits special recognition.

Brian Fennell of Alberta's Department of Education assisted Steve Lawton in developing the submissions for Canada. At the Ontario Institute of Studies in Education, Rouleen Wignall provided support funded in part by a transfer grant from the Ontario Ministry of Education.

Leanna Stiefel provided valuable advice on how to structure the book and the instructions to the authors and, along with Robert Berne, co-authored the *User's Guide* that follows.

Michael Cooper, Director of Publications for the Nelson A. Rockefeller Institute of Government, was responsible for desktop publishing and printing arrangements.

The cover illustration was drawn by Bruce Holdeman.

Finally, the Executive Director of AEFA, George Babigian, and the Board of Directors of the American Education Finance Association were extremely helpful in bringing the project to fruition. The editors particularly appreciate the assistance of the Presidents of AEFA while the project was conceived and underway, Peg Goertz, Van D. Mueller and David Monk.

Other members of the 1991-1992 AEFA Board of Directors include: Patricia Anthony, Stephen Barro, James Fox, Terry Geske, Debra Haas, Alfred Hess, David Honeyman, William Hughes, Anne Jefferson, Phillip Kearney, Stephen Lawton, Kent McGuire, Mary Moore, Larry Picus, and Joel Sherman. Designees of AEFA's Sustaining Members were Thomas Shannon (National School Board Association), Richard Miller (American Association of School Administrators), Will Myers (National Education Association), Jewell Gould (American Federation of Teachers), and Don Tharpe (Association of School Business Officials). In 1992-93, five new members joined the Board of Directors: William Fowler, Robert Hickman, Mary McKeown, Eugene McLoone, and Lynn Moak.

Steven Gold
David Smith
Stephen Lawton
Andrea Hyary

USER'S GUIDE

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Robert F. Wagner Graduate School of Public Service
New York University

These volumes are designed so that they will be valuable to a wide audience that includes users at the federal, state, and local levels in both the United States and Canada. Some of the readers will be experts in the concepts and practices of school finance; others will be less knowledgeable and will be using these volumes to increase their understanding of school finance. More specific examples of expected users include state or provincial education departments, governors' offices, legislators and their staffs, state commissions, Congress and the U. S. Department of Education, school boards and school district personnel, advocacy and citizen groups, and the research community.

This guide presents illustrations of a variety of uses for these volumes' school finance information. Section one describes the type of information available for each state or province. The next four sections are organized by broad categories of user. Section two discusses examples pertinent to users at the state and province levels; section three addresses examples of interest at the federal level; section four looks at possible uses by individuals and groups at the local levels; and section five provides illustrations relevant to the research community. In section six, we conclude and present some cautions about using these volumes' data.

1. *Information Available for Each State and Province*

Each state or provincial description is organized according to the outline shown in Table 1. In addition, two introductory sections — *Overview of Approaches to School Funding* and *Highlights of State Descriptions* — contain 10 tables that allow readers to find all states where the school finance system has particular features of interest to them. For example, from Table 4 a reader could identify all states that use a guaranteed tax base as part of their finance system. Comparable information for provinces is shown in Table C1. So it is possible to access the kinds of information that are used to answer a variety of policy questions, some of which are illustrated in the sections to follow.

Readers should find the section that follows this User's Guide, *Where to Find It*, very helpful in locating the information they seek. For each major topic covered in these volumes, *Where to Find It* tells where it is covered in the Introduction and also where it is mentioned in each State Description.

2. *State- and Province-Level Users*

A likely common purpose for state or province-level users is the comparison of their state/province finance systems to those of other states and provinces. Comparisons generally are sought when a state or province is considering changes in its own system, when it wants to assess how novel or common features of its system are, or when it wants to look at the prevalence of non-traditional programs. Examples of how these volumes could be used in each of these cases are developed.

There are any number of reasons why states and provinces periodically reassess the way they are financing their public schools. Most recently, American states have renewed their interest in designing systems that promote equity, partly in response to activity in state courts. As of July 1992, the school finance systems of 27 states were being

Table 1
Outline of Each State/Province Description

- I. General Background
  - State/Province support
  - Local support
  - Funding summary, 1990-91
- II. The Basic Support Program
  - Funding, 1990-91
  - Nature of program
  - Units
  - Local fiscal capacity
  - How formula operates
  - State/Province share
  - Local share
  - Adjustments for special factors
- III. Transportation

  The following subheadings are repeated, where possible, under all subsequent headings:

  - Funding in 1990-91
  - Description
  - State/Province and Local shares
  - Extent of participation
- IV. Capital Outlay and Debt Service
- V. Teacher Retirement
- VI. Special Education
- VII. Compensatory Education
- VIII. Gifted and Talented Education
- IX. Bilingual Education
- X. Other Categorical Programs
- XI. Aid for Private Schools
- XII. State/Provincial Programs for Prekindergarten Education
- XIII. Local School Revenue
- XIV. Tax and Spending Limits
- XV. State/Provincial Earmarked Revenues

challenged in the courts.[1] In addition, over the last decade, a desire to create more accountable and efficient education systems has led states to look at the incentives that their finance systems offer for such activity. Sometimes the staff work for a study of a state's system is performed by a commission;[2] other times the state education department or legislative staff, or both, analyze the system. Several Canadian provinces, faced with severe economic problems and political demands for equity, have studied or implemented new school finance systems.[3] Some of the issues that might arise and that could be informed by the data in these volumes are set forth below.

States and provinces are universally concerned about how to address uncontrollable and above-average costs that school districts incur. Such costs commonly arise as a result of several factors including high concentrations of students with special needs (language minority, handicapped, and poor); diseconomies of scale that small districts experience when they attempt to provide a variety of academic subjects or that geographically large districts incur in their transportation programs; and prices of resources that vary across the state or province but are neither voluntarily paid by districts nor compensated by higher quality. There are a variety of ways that the states and provinces have found to address the cost factors and when thinking about revisions to a school finance system; a jurisdiction might want to know the range of possibilities. These volumes have considerable information relevant to how states address uncontrollable costs under categories like categorical programs, student weights, price indices, and cost indices. In addition to identifying the number of states and provinces that use each method, in some cases one could also find the percentage of aid that is used to address the concerns. And, of course, by reading the description, one could obtain details on what groups of students are weighted and how, what kinds of categorical aid are given out and how much money is involved, and how the price and cost indices are estimated and used.[4]

A second example of interest to many jurisdictions is the possibility of financing early childhood and pre-kindergarten education through the school finance system.[5] There is a sizable national debate about whether the schools are the appropriate place for early childhood education. While not taking sides in the debate, these volumes provide information about what the states and provinces are now doing through their school financing and the extent of the dollars provided.

A third example of interest to many states and provinces is the way in which teacher retirement and benefit systems are financed. For example, if there is a state- or province-wide system, does each district make a contribution or does the state/province contribute as part of its aid? If the state or province contributes, is the contribution counted as part of the district's aid and is there some form of equalization for the contribution?

A fourth example focuses on the possibility for a state or province to research the extent and nature of innovative school finance programs that are used only in a small number of jurisdictions. How many states and provinces provide some support for private school education? How often does the support go beyond transporting children or providing services for special education students? Is there any other direct support, or does most support occur indirectly through the tax system? By reading the section on "Aid for Private Schools," the reader can obtain information about what other jurisdictions are doing. The support of religious school systems in several Canadian provinces reflects that nation's history and its lack of separation between church and state.

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[1] According to Mary Fulton of the Education Commission of the States, litigation was pending in Alabama, Alaska, Arizona, California, Idaho, Illinois, Indiana, Louisiana, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Virginia, West Virginia, ans Wyoming. Challenges were expected soon in Maine and Maryland. See also, John Dively, "Status of School Finance Constitutional Litigation" (Normal, IL: Center for the Study of Educational Finance, Illinois State University, July 1991); and David L. Franklin and G. Alan Hickrod, et al., "The Constitutionality of the K-12 Funding System in Illinois," Volumes I and II (Center for the Study of Educational Finance, Illinois State University, May 1987 and July 1990).

[2] For example, see the *Report* of the New York State Temporary Commission on the Distribution of State Aid to Local School Districts (Salerno Commission), December 1988.

[3] See, for example, Government of Newfoundland and Labrador, Royal Commission of Inquiry into the Delivery of Programs and Services in Primary, Elementary, and Secondary Education, *Our Children, Our Future* (March 1992).

[4] State using cost indices are listed in the Overview of Approaches to School Funding of this book. For background on the conceptual and practical development of cost and price indices, see David H. Monk and Billy D. Walker, "The Texas Cost of Education Index: A Broadened Approach," *Journal of Education Finance*, vol. 17, no. 2 (Fall 1991), pp. 172-192.

[5] Norton W. Grubb, "Public School Provision of Child Care: Costs and Consequences" (Child Care Action Campaign, 1988).

A final type of user of state/provincial-level analysis includes advocacy and interest groups that typically take a particular point of view, consistent with their mission. Information helpful in developing a new or expanded proposal is provided by these volumes. They are an excellent place to begin the search for other jurisdictions with a similar program. The following are examples of programs or issues on which advocates could find useful information: the nature and extent of funding for pre-kindergarten experiences; the existence of tax and spending (or tax relief) programs that work through or in conjunction with school financing; alternative ways to finance capital programs; alternative pupil weights; and possibilities for private school financing.

Special education is also an area where there are advocacy groups whose objectives often include obtaining additional funding for unmet special education needs. In the absence of absolute funding standards and alternative funding methods for special education children, state and provincial policy makers can be influenced by practices elsewhere, and the data needed for such arguments can be found in these volumes.

A different type of interest group represents particular staff in the education system such as teachers, principals, and librarians. In some cases these groups are unions, in other cases professional organizations that do not have the formal status of unions. These groups often are heavily involved in funding debates and many of the sections of these volumes have the potential to be relevant to questions of finance and compensation.

3. *Uses of Interest at the Federal Level*

Currently, in both the United States and Canada, the federal government's interest in school finance is separate from how each state or province finances its education system. There are some areas where knowledge of state and provincial programs can help federal governments to assess whether their funds are being leveraged at the state/provincial level. And there is at least one small program in the U. S. — Federal Impact Aid — that does explicitly take into account within-state education finance equity. In these two cases, these volumes can be of help as a starting point in analysis.

By reading the section on compensatory education, it will be possible to determine if a state or province has its own compensatory education program. U.S. states' mechanisms may be compared to the federal Chapter 1 allocation, to see whether the state uses Chapter 1 eligibles as the basis for allocation. Or, on the other hand, does the state take a different approach to compensatory education, and if so, how supportive of Chapter 1 objectives is that approach? We are not suggesting that the U.S. federal government would want to legislate the way states allocate their compensatory education dollars, but rather could see how widely accepted its approach is, and how much its own funds are being supplemented by additions from the states. Canadian federal equalization funds are allocated to provinces globally, so similar issues rarely arise.

Periodically the federal program funding allocation mechanism, such as Chapter 1, is reviewed and the approaches used at the state-level often are examined as potential improvements in the federal allocation scheme. For example, Chapter 1 is concerned with measures of poverty and achievement, factors that are commonly used as part of state aid systems. Also, the inclusion of fiscal capacity measures in Chapter 1 funding has been debated and the states provide many examples of how fiscal capacity can be measured. Ironically, although the Canadian federal government used over 20 indicators to assess provincial fiscal capacity to determine its general purpose equalization grants to provinces, all provinces using the property tax to fund education measure fiscal capacity with assessed valuation per pupil.

U.S. Federal Impact Aid has as part of its objective to promote equity within the states. If the federal government were to decide to standardize some of the measures that states use to calculate equity measures for the program's purposes, these volumes might be useful. As an example, one could see how each state weights its various special needs pupils and construct a vertical equity measure that allows states to use the weights of any state that is consistent with federal goals. These volumes could be the starting place for researching the range of possibilities that the states provide for weightings.[6]

4. *Local-Level Users*

Debates over school financing are no longer limited to the state and provincial level. Given the current levels of resource scarcity and the importance of state or provincial funding, it is essential for those who take a school district perspective to be knowledgeable about the intricacies of school finance at the state- and provincial-level. For many users school finance information at the local level, these volumes can be an excellent source for understanding their own system and for learning about the alternative approaches in use elsewhere. For example, it is not unusual for parent groups to become involved in lobbying for additional funding for their district and this type of advocacy requires syste-wide knowledge. Citizen groups, such as parents, would find the summary of their own jurisdiction's system useful as a way to become quickly knowledgeable about the intergovernmental context of funding for their particular district. Also, because school districts share a tax base with other general and special purpose governmental entities, advocacy groups connected to other local government units may need to become knowledgeable about school financing issues.

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[6] Robert Berne and Leanna Stiefel, "Equity Standards for State School Finance Programs: Philosophies and Standards Relevant to Section 5 (d) (2) of the Federal Impact Aid Program" (prepared for the U.S. Department of Education, May 1992).

There is a second, somewhat different use of comprehensive information on state school finance systems by users at the local level. In many districts, especially the larger ones, many of the issues that need to be addressed when dollars are distributed from the state or province to the districts are applicable to the distribution of dollars from the districts to schools within the district. For school district officials, parents, advocacy groups, and professional organizations, there are questions concerning specific programs such as bilingual education, programs for gifted and talented, compensatory education, and special education where knowledge of state or provincial funding methods and features can inform the debate at the local level. In addition there are questions at the local level such as how should the funding vary across grade levels and how should categorical dollars mesh with general education dollars that can be answered with information from the state or provincial level.

5. Issues of Interest to the Research Community

Researchers have been consistently interested in the determinants of the cross-sectional variations of features as well as outcomes of school finance systems.[7] For example, what accounts for the differences in equity (variously measured) across the states and across the provinces; what accounts for whether a state or province "reforms" its system; what accounts for a legal challenge to the system; and how and why does school system finance differ between the U.S. and Canada?[8] The state and provincial share of financing is a popular independent variable that researchers hypothesize should account for variation in outcomes such as equity or the presence of a court case. Information on this variable could be found from the funding summary under section II or, for separate parts of the funding system, under sections labelled "state share." Variation in vertical equity might in part be due to the percentage of funding channelled through various categorical programs or the presence of a pupil weighting scheme that reflects a commitment to vertical equity. Researchers could also ask what accounts for large numbers of districts being "off formula?" Several of the possible explanatory variables include state or provincial share, type of formula, minimum funding levels, and use of categoricals. Information on these and other independent and dependent variables of concern to researchers is available in these volumes.

6. Conclusions and Limitations

Using examples, we have described a number of ways that the information in these volumes can be useful to many types of users at the local, state or provincial, and federal levels. While we are confident that this is the best information of its kind currently available, it is also important to note the self-reported nature of the information. Although the authors followed similar instructions and filled out their information in identical formats, it is not possible to achieve exact comparability. Unlike school district financial information that is audited when collected by states or provinces, this information has not been audited and the level of complexity of many of the programs is quite high. Thus, the meaning of specific terms may vary from state to state and from province to province, depending in part on the school finance "culture" and the way in which the funding scheme has operated. For example, the meaning of a term such as "districts off formula" can vary depending on how it is used in a state or province: in some cases it may mean no state or provincial aid and in others in may mean more or less than the amount that full implementation of the formula yields. In other cases, additional information may be needed to fully describe a feature of a state's or province's funding scheme. An example is in the area of property tax assessment and equalization where many jurisdictions use detailed procedures too lengthy to describe in these volumes.

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[7] See, for example, Robert Berne and Leanna Stiefel, "The Equity Effects of State School Finance Reforms: A Methodological Critique and New Evidence," *Policy Sciences*, Vol. 13, No. 1, February 1981: 75-98; Wayne Riddle, "School Expenditure Variations with the States," (Congressional Research Service, Library of Congress, 1990); Myron Schwartz and Jay Moskowitz, *Fiscal Equity in the United States*, 1984-85 (Washington, D.C.: Decision Resources Corporation, 1988).

[8] See, for example, Stephen B. Lawton, "Significant Features of Fiscal Federalism [in the U.S. and Canada]." Book Reviews. *Journal of Education Finance*, Vol. 12, No. 1, Summer 1988: 162-165.

The best use of these volumes is to understand the range of options used in the school finance systems in the states and provinces, to determine the general tendencies and exceptional practices for a variety of school finance issues, and to learn about standardized information on other state and provincial programs that can be pursued in more depth with authors, state and provincial education department staff, or other knowledgeable individuals from the state or province.

WHERE TO FIND IT

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Bilingual education	Highlights (Table 12)	IX
Bonds	Highlights (Table 9)	IV, XIV
Capital spending	Highlights (Table 9)	IV
Compensatory education	Highlights (Table 12)	VII
Debt service	Highlights (Table 9)	IV
Earmarked state revenue	Overview of School Revenue	XV
Fiscal capacity (local)	Overview of Approaches (Table 6)	II, XIII, XIV
Foundation guarantee amounts	Highlights (Table 7)	II
Foundation programs	Overview of Approaches (Table 4)	II
Gifted and talented education	Highlights (Table 12)	VIII
Hold harmless provisions	Highlights (Table 7)	II
Income of residents	Highlights (Table 8)	II, XIII
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OVERVIEW OF SCHOOL REVENUE PATTERNS

The revenue of public elementary and secondary schools in the United States was $222.7 billion during the 1990-91 school year. Nearly half of this revenue (48.3%) was provided by state governments, 45.5% by local governments, and 6.2% by the federal government.[1]

As Table 2 shows, the level and composition of school revenue vary considerably from state to state.

- Revenue per pupil varies from $9,447 in New Jersey to $3,341 in Utah.
- The state share varies from 91.3% in Hawaii to 7.5% in New Hampshire.
- The local share varies from 89.8% in New Hampshire to 0.1% in Hawaii.
- The federal share varies from 16.6% in Mississippi to 2.7% in New Hampshire.

Table 2 also shows the state and local shares of school revenue, with federal aid excluded. Usually, state government accounts for between 40 percent and 70 percent of nonfederal revenue, but there are 21 exceptions. In 10 states, the state government provided more than 70 percent of nonfederal revenue — Alabama, Alaska, California, Delaware, Hawaii, Kentucky, New Mexico, North Carolina, Washington and West Virginia. At the other extreme, in 11 states, the state government provided less than 40 percent of nonfederal revenue — Illinois, Maryland, Massachusetts, Michigan, Nebraska, New Hampshire, New Jersey, Oregon, South Dakota, Vermont, and Virginia.

Updates for 1991-1992 Year

In the year following the one that is the focus of this book, state and local governments experienced considerable fiscal stress because of the recession that depressed state revenue. According to preliminary NEA estimates, total school revenue rose 5.9%. State aid was curtailed by the recession, growing only 4.7%, but local revenue increased 7.3% and federal revenue increased 6.4%. Although the 1992 NEA estimates are likely to be revised considerably, they strongly suggest that the state share of school costs fell in 1991-92. As discussed below, the same thing happened during the recession of the early 1980s, but the state share subsequently rebounded when the economy recovered.

The state governments providing the largest increases in school revenue in 1991-92 (more than 10%) were Arkansas, Hawaii, Idaho, Nebraska, Pennsylvania, and Vermont. Arkansas, Pennsylvania, and Vermont had large state tax increases, and the other three states were among those that were least affected by the national recession. On the other hand, Massachusetts, Nevada, New York, Tennessee, and Virginia reportedly cut school aid in 1991-92. Except for Nevada, each of these states was confronted by a large prospective budget deficit.

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[1] Although this book is based primarily on reports prepared by individuals in each state, this section draws upon information from other sources to provide an overview of school finance trends, especially the National Education Association (NEA) and the U.S. Census Bureau. Because those organizations have well-established systems for collecting information on an annual basis, the statistical information they collect from various states is presumably more consistent than that presented in the state descriptions of this book.

Table 2
Level and Composition of School Revenue, 1990-91

		Percentage of Total				
	School Revenue	Including Federal Aid			Excluding Federal Aid	
	Per Pupil	Federal	State	Local	State	Local
New England	**$7,142**	**4.7%**	**37.5%**	**57.8%**	**39.3%**	**60.7%**
Connecticut	8,388	4.0	41.6	54.4	43.3	56.7
Maine	5,949	6.4	51.1	42.5	54.6	45.4
Massachusetts	6,914	5.2	36.9	58.0	38.9	61.1
New Hampshire	6,434	2.7	7.5	89.8	7.7	92.3
Rhode Island	6,613	4.0	41.0	54.9	42.7	57.3
Vermont	7,497	5.0	37.0	58.0	39.0	61.0
Mid Atlantic	**8,666**	**4.7**	**41.9**	**53.4**	**44.0**	**56.0**
Delaware	6,484	8.4	68.0	23.6	74.2	25.8
Maryland	6,880	4.8	37.9	57.3	39.8	60.2
New Jersey	9,447	3.5	38.3	58.1	39.7	60.3
New York	9,224	5.0	42.0	53.0	44.2	55.8
Pennsylvania	7,830	4.7	46.7	48.6	49.0	51.0
Great Lakes	**5,730**	**5.6**	**41.0**	**53.4**	**43.5**	**56.5**
Illinois	5,892	7.5	36.7	55.8	39.7	60.3
Indiana	5,102	5.1	56.4	38.5	59.4	40.6
Michigan	5,649	4.5	35.4	60.0	37.1	62.9
Ohio	5,782	5.6	42.8	51.6	45.3	54.7
Wisconsin	6,222	3.8	40.9	55.3	42.5	57.5
Plains	**5,360**	**5.4**	**45.1**	**49.5**	**47.7**	**52.3**
Iowa	5,002	5.5	51.4	43.0	54.4	45.6
Kansas	5,633	4.9	44.1	51.0	46.3	53.7
Minnesota	6,105	4.1	55.1	40.8	57.5	42.5
Missouri	5,351	5.6	38.9	55.6	41.2	58.8
Nebraska	4,596	6.5	25.8	67.7	27.6	72.4
North Dakota	3,985	7.4	48.6	44.0	52.5	47.5
South Dakota	4,414	11.2	26.8	62.0	30.2	69.8
Southeast	**4,929**	**7.9**	**54.6**	**37.5**	**59.3**	**40.7**
Alabama	3,545	13.2	66.6	20.2	76.7	23.3
Arkansas	3,873	9.5	60.0	30.6	66.2	33.8
Florida	6,196	6.4	51.8	41.8	55.4	44.6
Georgia	5,003	6.1	53.3	40.6	56.8	43.2
Kentucky	4,759	9.6	68.8	21.6	76.1	23.9
Louisiana	4,370	9.9	56.5	33.7	62.6	37.4
Mississippi	3,487	16.6	53.5	29.8	64.2	35.8
North Carolina	5,303	6.2	66.7	27.2	71.0	29.0
South Carolina	4,804	8.5	52.4	39.1	57.3	42.7
Tennessee	3,817	10.1	47.4	42.4	52.8	47.2
Virginia	5,676	4.8	35.5	59.7	37.3	62.7
West Virginia	5,456	8.1	66.9	25.1	72.7	27.3
Southwest	**4,872**	**7.2**	**48.1**	**44.7**	**51.8**	**48.2**
Arizona	4,791	5.0	43.2	51.7	45.5	54.5
New Mexico	4,828	11.9	76.2	11.9	86.5	13.5
Oklahoma	4,452	8.1	61.4	30.5	66.8	33.2
Texas	4,965	7.1	44.7	48.3	48.1	51.9
Rocky Mountain	**4,591**	**5.9**	**47.8**	**46.3**	**50.8**	**49.2**
Colorado	5,502	4.6	39.4	56.0	41.3	58.7
Idaho	3,682	6.5	57.8	35.7	61.8	38.2
Montana	5,389	9.2	46.2	44.6	50.9	49.1
Utah	3,341	6.3	57.0	36.6	60.9	39.1
Wyoming	5,988	5.6	50.8	43.6	53.8	46.2
Far West	**5,579**	**6.9**	**64.9**	**28.2**	**69.7**	**30.3**
California	5,476	7.0	66.9	26.1	72.0	28.0
Nevada	5,232	3.8	41.6	54.7	43.2	56.8
Oregon	5,562	6.0	26.7	67.2	28.5	71.5
Washington	5,824	5.4	73.8	20.8	78.0	22.0
Alaska	9,057	12.6	63.6	23.7	72.8	27.2
Hawaii	5,812	8.6	91.3	0.1	99.9	0.1

Source: National Education Association, *1991-92 Estimates of School Statistics* (Washington, D.C.: 1992).

Changes over Time

School revenue increased substantially during the 1980s. Between 1979-80 and 1990-91, total school revenue rose 32.4% in real dollars. Revenue per pupil increased even more, 34.3%. As Figure 1 shows, that increase occurred in fits and starts. Gains were negative or relatively small during the recessions of the early 1980s. A surge occurred after the 1981-82 recession ended and A Nation at Risk was published. Then the rate of increase tended to subside, especially in 1989-90 and 1990-91. Increases in school revenue are very sensitive to the economy's growth rate.

Figure 2 focuses specifically on changes in inflation-adjusted per pupil school revenue provided by state and local governments. State aid increases are more volatile than increases in local revenue, soaring to 8.1% in 1984-85 and 6.4% in 1985-86 but falling below 2 percent in seven years. By contrast, local revenue never rose more than 5.8% in any year and rose at less than a 2 percent rate only once.

School aid changes also seem to follow an electoral cycle. The growth rate of state school aid increased over the previous year in four of five years when state elections occurred in most states (i.e., 1982-83, 1984-85, 1988-89, and 1990-91; state elections generally occurred in November 1982, November 1984, etc.). The only exception was 1986-87, which followed the unusual surge in the wake of *A Nation at Risk*. The growth rate of state school aid fell in four of the six years following elections.

Local school revenue increases tend to occur inversely with state aid increases. In all five years following state elections, the rate of increase of local revenue rose. In four of five years when state elections occurred, the rate of increase of local revenue fell.

This inverse relationship occurs for two reasons. First, the more state aid increases, the less local schools need to generate their own revenue increases in order to attain a desired rate of growth of the local school budget. Second, most states vary school aid inversely with property valuations. If assessed property values increase more than usual, this tends to cause local revenue to rise more and state aid to grow less than normal. The close relationship with the state electoral cycle suggests that the first reason may be more important.

Figure 3 shows annual changes in federal aid per pupil in real dollars. After a large decrease in 1981-82, reflecting President Reagan's initial success in cutting federal spending, federal aid for schools registered small increases in most years. In 1990-91, real federal revenue per pupil was 11.6% higher than in 1981-82 but 4.2% lower than in 1980-81, before the Reagan budget cuts.

All of the analysis in this section is based on per pupil revenues. It is essential to consider changes in enrollment in order to understand the significance of revenue shifts. As Figure 4 shows, enrollment fell through 1984-85, continuing a decline that started in 1973, and then began to rise. In 1990-91, enrollment was 4.7% higher than six years earlier but still slightly less than in 1979-80. Further enrollment increases are projected throughout the 1990s.

Table 3 shows the data underlying the Figures discussed in this section.

Sources of State and Local School Revenue

The great majority of state and local revenue for schools is from taxes. Frequently, at the state level, lotteries also help to fund school aid. The following discussion outlines the major sources of state and local revenue for schools in fiscal year 1990, the latest period for which full information is available.

State revenue for schools

The best answer to the question, "Where do states obtain money to fund school aid?" is that it comes from general state revenue sources. In 1990, nearly two-thirds of state tax revenue was derived from two taxes — the general sales tax (33.2%) and the personal income tax (32.0%). Other important taxes were the corporation income tax (7.2%) and excise taxes (15.8%). The composition of tax revenue varies considerably from state to state, as is described well in other sources.[2]

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[2] See, e.g., Steven D. Gold and Judy A. Zelio, *State-Local Fiscal Indicators* (Denver: National Conference of State Legislatures, 1990); U.S. Advisory

Figure 1. Annual Growth of Inflation-Adjusted Total School Revenue Per Pupil, 1981 to 1992

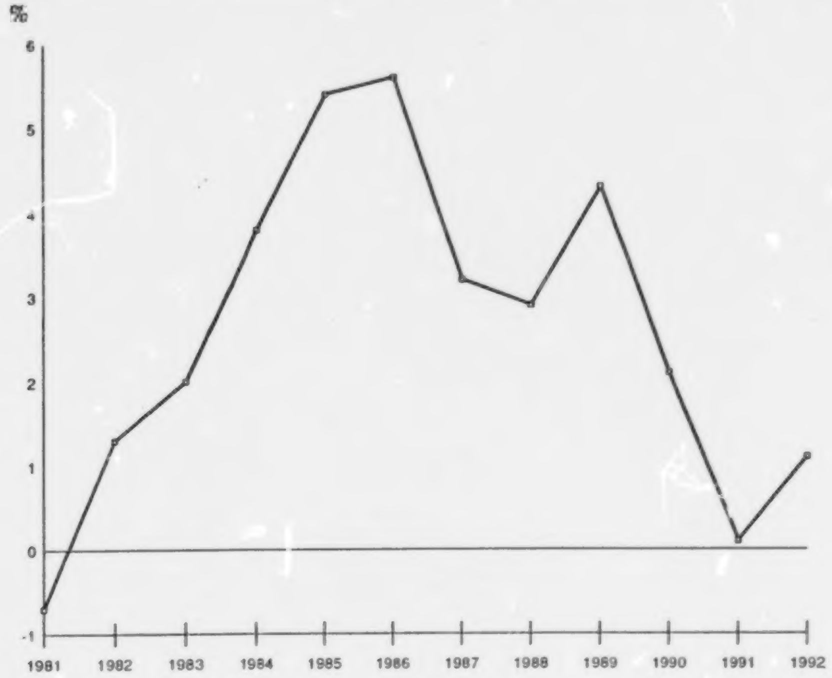


Figure 2. Annual Growth of Inflation-Adjusted State and Local School Revenue Per Pupil, 1981 to 1992

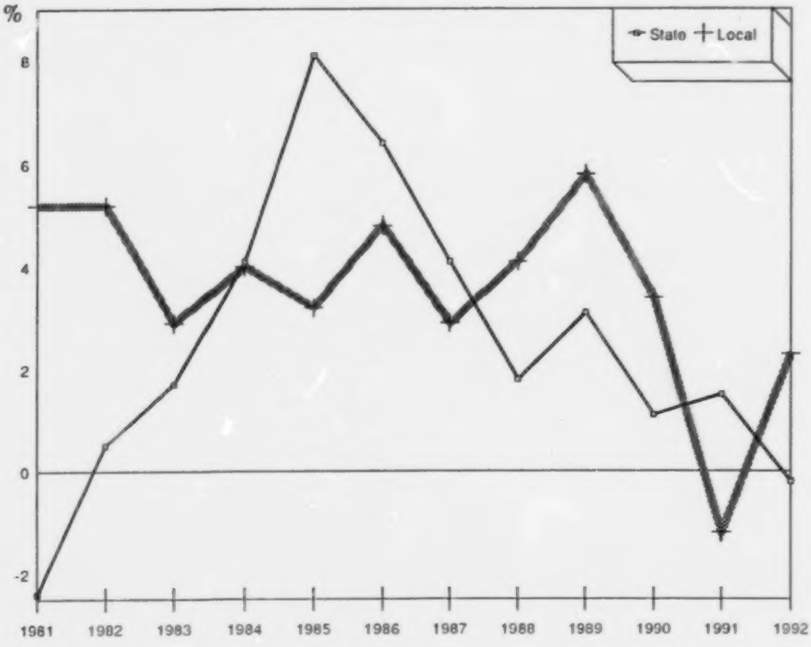


Figure 3. Annual Growth of Inflation-Adjusted Federal School Aid Per Pupil, 1981 to 1992

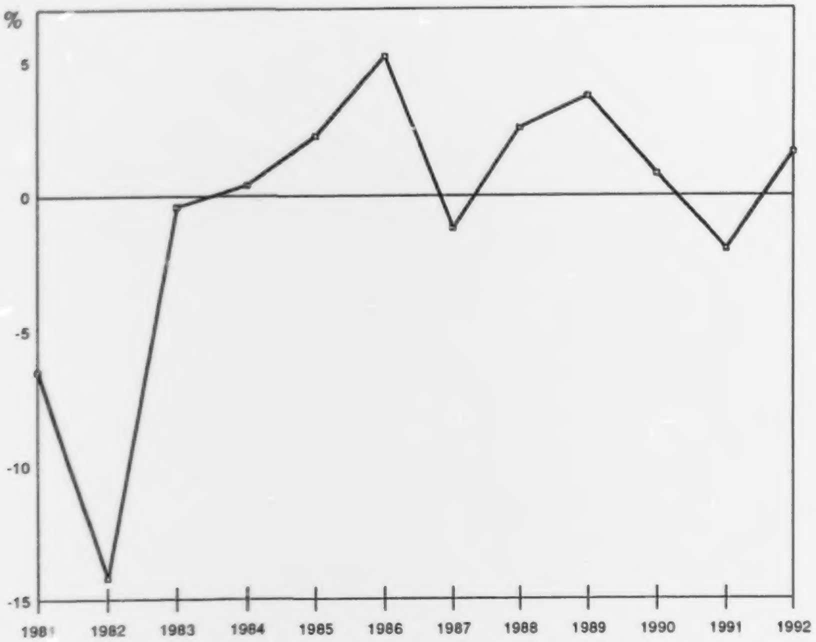
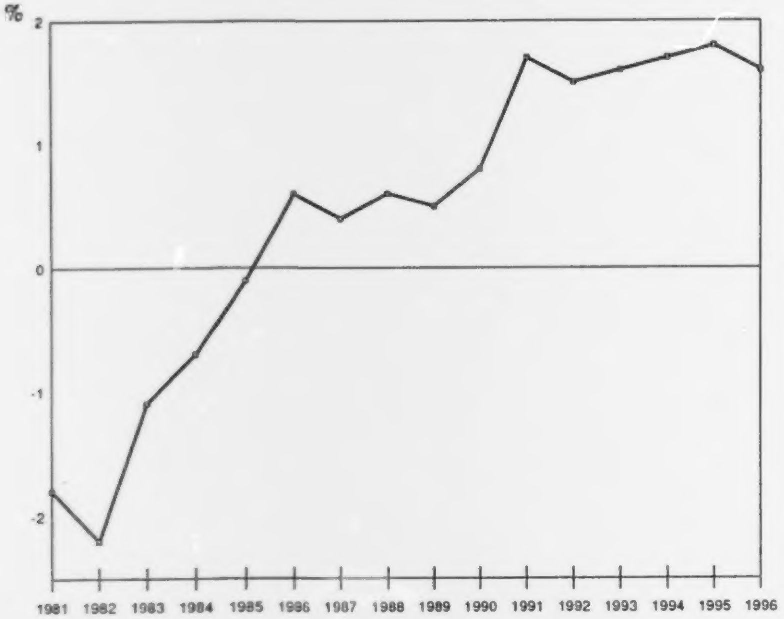


Figure 4. Annual Change of Elementary-Secondary Enrollment, 1981 to 1991 and Projections Through 1996



Source: 1981-91 — National Education Association, *Estimates of School Statistics*; 1991-96 — National Center for Education Statistics, *Projections of Education Statistics to 2002.*

Table 3
School Revenue Summary, 1980-81 to 1991-92

Total revenue in nominal dollars
(Millions of dollars)

Year	Total	Federal	State	Local
1979-80	$97,635	$9,020	$47,929	$40,686
1980-81	106,552	9,285	51,376	45,892
1981-82	113,999	8,419	54,573	51,006
1982-83	120,486	8,691	57,449	54,345
1983-84	128,875	9,005	61,611	58,259
1984-85	141,013	9,533	69,107	62,373
1985-86	153,806	10,351	75,935	67,521
1986-87	163,767	10,553	81,542	71,672
1987-88	176,253	11,310	86,855	78,088
1988-89	193,128	12,343	94,036	86,749
1989-90	208,901	13,167	100,672	95,062
1990-91	222,661	13,737	108,884	100,040
1991-92 est	235,869	14,615	113,970	107,283

Inflation-adjusted revenue
(1983 dollars)

Year	Total	Federal	State	Local
1979-80	$125,980	$11,639	$61,843	$52,498
1980-81	122,863	10,710	59,257	52,931
1981-82	121,664	8,985	58,242	54,436
1982-83	122,820	8,860	58,562	55,398
1983-84	126,597	8,846	60,522	57,229
1984-85	133,283	9,010	65,319	58,953
1985-86	141,627	9,531	69,921	62,174
1986-87	146,745	9,456	73,066	64,222
1987-88	151,942	9,750	74,875	67,317
1988-89	159,347	10,184	77,587	72,575
1989-90	163,972	10,335	79,021	74,617
1990-91	166,787	10,290	81,561	74,936
1991-92 est	171,168	10,606	82,707	77,854

Inflation-adjusted revenue per pupil
(1983 dollars)

Year	Total	Federal	State	Local
1979-80	$3015	$279	$1480	$1257
1980-81	2995	261	1445	1290
1981-82	3033	224	1452	1357
1982-83	3095	223	1476	1396
1983-84	3213	224	1536	1452
1984-85	3387	229	1660	1498
1985-86	3577	241	1766	1570
1986-87	3691	238	1838	1615
1987-88	3797	244	1871	1682
1988-89	3962	253	1929	1780
1989-90	4046	255	1950	1841
1990-91	4049	250	1980	1819
1991-92 est	4092	254	1977	1861

Continued

Table 3
School Revenue Summary, 1980-81 to 1991-92 (Continued)

Percentage change of inflation-adjusted revenue per pupil from previous year

Year	Total	Federal	State	Local
1980-81	-0.7%	-6.5%	-2.4%	2.6%
1981-82	1.3	-14.2	0.5	5.2
1982-83	2.0	-0.4	1.7	2.9
1983-84	3.8	0.4	4.1	4.0
1984-85	5.4	2.2	8.1	3.2
1985-86	5.6	5.2	6.4	4.8
1986-87	3.2	-1.2	4.1	2.9
1987-88	2.9	2.5	1.8	4.1
1988-89	4.3	3.7	3.1	5.8
1989-90	2.1	0.8	1.1	3.4
1990-91	0.1	-2.0	1.5	-1.2
1991-92 est	1.1	1.6	-0.2	2.3

Note: Inflation is based on the increase of the GNP deflator for state and local governments, with calendar years averaged to estimate school year price levels.

Source: National Education Assocation, *Estimates of School Statistics, 1991-92*.

Earmarking of state tax revenue for schools is widespread. Earmarking may be defined as the dedication of a flow of revenue on a continuing basis for a particular program or department. Although as, explained below, earmarking provides little benefit to education, its use is summarized here because of the widespread interest in it.

Because the state descriptions in these books omit considerable information about earmarking, this discussion relies heavily on a survey of state earmarking provisions during fiscal year 1988 by the National Conference of State Legislatures.[3]

As of 1988, 28 states earmarked at least one tax for education. The taxes most frequently earmarked were the general sales tax (11 states), the severance tax (7 states), and tobacco taxes (7 states). Other taxes earmarked in at least four states are those on alcoholic beverages (4 states), personal income (4 states), public utilities (4 states), property (5 states), corporate income (4 states), and insurance premiums (4 states).

In addition, 12 states earmark lottery revenue for education (California, Florida, Idaho, Illinois, Indiana, Michigan, Montana, New Hampshire, New Jersey, New York, Ohio, and West Virginia). In California and New Jersey, some of the revenue is shared with higher education, but usually it was solely for elementary and secondary schools.[4]

Once it has been in effect for several years, earmarking generally does little to increase total state funding for schools. Although some states earmark substantial amounts of revenue — for example, in New Jersey, all personal income tax revenue — state school aid is usually so large that it dwarfs the revenue that is earmarked. States usually take earmarked revenue into account when deciding how much nonearmarked revenue to provide to schools, so earmarking does not necessarily add anything to state funding of schools. After earmarking has been in effect for a number of years, it is virtually impossible to determine how much state school aid would have been if there were no earmarking, so there can be no guarantee that earmarking supplements state aid.

There are two important qualifications to this generalization. First, earmarking often is helpful to schools in the years immediately after it is enacted because state officials may feel committed to schools when an earmarking provision is enacted. Second, earmarking may make it politically feasible to increase a tax or enact a lottery. In that case, education benefits because the total state revenue base is expanded, not because the schools' share of revenue is enhanced.

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[3] Martha A. Fabricius and Ronald K. Snell, *Earmarking State Taxes*, 2nd ed. (Denver: National Conference of State Legislatures, 1990).

[4] Mary Fulton of the Education Commission of the States provided information on earmarking of lottery revenue for schools.

Local School Revenues[5]

The property tax is overwhelmingly the source of local tax revenue. In 1990, it accounted for 97.4% of local tax revenue in the 41 states where there are at least some independent school districts. Among these states, there were only four states where it generated less than 98% of local tax revenue:

- In Louisiana, 55.1% was from the sales tax, only 44.7% was from the property tax, and 0.2% was from miscellaneous taxes.
- In Kentucky, 66.0% came from the property tax, but 15.8% came from the income tax, 11.4% from utility taxes, and 6.8% from miscellaneous taxes.
- In Pennsylvania, 83.0% was from the property tax, but 9.7% came from the income tax and 7.4% from miscellaneous taxes.
- In South Dakota, the property tax produced 95.6% of local tax revenue, but the sales tax contributed 3.0% and miscellaneous taxes 1.3%.

Use of other taxes by independent school districts can be summarized as follows:

- Income tax, four states: Iowa (0.3%), Kentucky (15.8%), Ohio (less than 0.1%), and Pennsylvania (9.7%).
- Sales tax, two states: Louisiana and South Dakota, as described above.
- Utility tax, three states; besides Kentucky, Nevada (0.5%) and New York (0.2%).
- Miscellaneous taxes, 19 states, but except in Kentucky and Pennsylvania (both described above), their biggest contribution is in Mississippi (1.6%).

In addition, there are nine states with no independent school districts and five states where at least some school districts are not independent.[6] For example, in Maryland and Virginia schools are usually operated by counties, in Connecticut and Massachusetts by cities or towns, and in Hawaii by the state government. In the State of New York, New York City and several other large cities operate the schools, but elsewhere in New York the school districts are independent. Since cities and counties have greater access to local nonproperty taxes than do school districts, it is not unusual for dependent school districts to receive revenue from the income tax, the sales tax, or other nonproperty taxes.

Nationally, in 1989-90, the local tax revenue of independent school districts was $63.6 billion. In addition, local dependent school districts received $17.8 billion from their local parent governments.

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[5] This discussion is based on unpublished data for 1989-90 from the U.S. Census Bureau. The data were collected for the report *Public Education Finances, 1989-90*, which does not show the details discussed here.

[6] The nine states with no local tax revenue for independent school districts are Alaska, Connecticut, Hawaii, Maryland, Massachusetts, North Carolina, Rhode Island, Tennessee, and Virginia. In addition, parent government contributions were reported in California (5.4% of the sum of local taxes and parent government contributions), Maine (60.5%), New Hampshire (21.7%), New Jersey (14.4%), and New York (36.3%).

OVERVIEW OF APPROACHES TO SCHOOL FUNDING

The purpose of this section is to provide the reader with an introduction to some of the basic vocabulary and concepts of education finance.[1] Much of this discussion is theoretical or normative in nature. Although the principal objective of these volumes is the description of state and provincial education finance systems, it is hoped that a discussion of these concepts will help those readers not familiar with them to better understand the descriptions contained in this book.

States use a variety of methods to aid local schools. Because education finance programs are individually tailored to states' perceived educational needs, no two states fund education in exactly the same manner. This has resulted in a cornucopia of interesting and sometimes innovative methods of financing education, ranging from the simple to the complex.

Aid can be divided into two basic components:

- *Basic support* aid is the main component of a state's education finance system, normally providing the majority of aid. It is intended to address differences among local school districts in educational need and ability to finance education. Generally, the intention of basic support programs is to distribute aid in direct relationship with educational need and inversely to local ability to pay: that is, the greater the perceived educational need of the district, the more aid it will receive compared to districts with less need; and the greater the ability of a district to finance education, the less aid it will receive compared to districts with less ability.

- *Categorical* aid is intended to address specific educational needs. Categorical aid programs address (but are not limited to) such areas as special education, transportation, compensatory education, vocational education, and capital outlay. Generally, categorical aid does not take local ability to pay into account, although some states do incorporate a local fiscal capacity measure into some of their categorical aid programs to account for differences in school district ability to pay.

The remainder of this section will focus only on the approaches states take to funding basic support aid.

State basic support aid programs can be broadly categorized into five categories: flat grants, foundation programs, percentage equalizing, guaranteed tax base or guaranteed tax yield programs, and full state funding programs. (Table 4 shows the approach used in each state.) State education finance systems differ in the various structural elements that make up each of the state basic support programs[2] and how these structural elements are defined and measured, as well as adjustments for special factors. This introductory section briefly explains how each funding mechanism operates but does not discuss the structural elements peculiar to each state. The reader is referred to the description of each state for a more detailed description of the structural elements comprising each state's basic support program.

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[1] This section provides a brief overview of education finance systems. For a more detailed discussion it is suggested the reader refer to a basic textbook in education finance such as David H. Monk, *Education Finance: An Economic Approach* (New York: McGraw-Hill, 1990) or James W. Guthrie, Walter I. Garms, and Lawrence C. Pierce, *School Finance and Education Policy: Enhancing Educational Efficiency, Equality, and Choice, Second Edition* (Englewood Cliffs, N.J.: Prentice-Hall, 1988).

[2] Robert Berne and Leanna Stiefel, "Concepts of Equity and Their Relationship to State School Finance Plans," *Journal of Educational Finance*, 5 (Fall 1979), pp. 109-132.

Table 4
Classification of 1990-91 Basic Support Programs

Flat Grants	Foundation Programs		Percent Equalization Programs	Guaranteed Tax Base/Yield Programs	Full State Funding
Delaware[1]	*Mandatory Local Effort*	*Local Effort Not Mandatory*	*Mandatory Local Effort*	Michigan	Hawaii
North Carolina				Wisconsin	Washington
	Alabama	Arizona	Connecticut[3]		
	Alaska	Arkansas			
	California	Georgia[2]	*Local Effort Not Mandatory*		
	Colorado	Idaho			
	Florida	Illinois			
	Indiana	Maryland	Kansas		
	Iowa	Montana[2]	Massachusetts		
	Kentucky	Nebraska	New York		
	Louisiana	New Hampshire	Pennsylvania		
	Maine	New Jersey	Rhode Island		
	Minnesota	North Dakota			
	Mississippi	Oregon			
	Missouri[4]	South Dakota			
	Nevada	Vermont			
	New Mexico	West Virginia			
	Ohio				
	Oklahoma				
	South Carolina				
	Tennessee				
	Texas[2]				
	Utah				
	Virginia				
	Wyoming				
Total = 2	Total = 23	Total = 15	Total = 6	Total = 2	Total = 2

The following states provided descriptions for years other than 1990-91: Colorado — 1992-93, New Jersey — 1991-92, and Oregon — 1992-93.

[1] Delaware has a separate equalization component in addition to the flat grant as part of the basic support program.

[2] These states have two tiers of funding for the basic support program. The second tier basic support funding mechanism for these states consists of a GTB/GTY program.

[3] Although Connecticut considers the basic support program to be a foundation program, for purposes of this table it is considered to be a percentage equalizing program since an aid ratio is used in the calculation of basic support aid.

[4] Missouri incorporates a GTB add-on into the basic support formula.

Because some states made major changes in their school finance systems after 1990-91, three of the 49 state descriptions contained in these volumes[3] deal with later school years — those for Colorado (1992-93), New Jersey (1991-92), and Oregon (1992-93).

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[3] The state of West Virginia is not included in this volume. Although the editors had a commitment from an author for West Virginia, a description was not submitted despite repeated assurances that it would be completed on time for publication. The information in Table 4, 5, and 6 for West Virginia was taken from Deborah A. Versteegen, *School Finance at a Glance: 1990* (Denver: Education Commission of the States, 1991).

Funding Concepts

Education finance systems are based on two funding concepts: educational need and ability to pay. In combination, they determine local fiscal capacity. Generally, fiscal capacity is expressed as a district's fiscal resources or tax base divided by a measure of the district's educational need for those resources.[4]

Educational Need

Educational need can be defined as the demand placed upon a district's resources available to fund education. This demand is related to the number of pupils within a district[5] (usually weighted to account for differences in pupil characteristics), the cost of educating different groups of students, and other educational cost factors that are beyond the control of the district.

Pupil Count, Teacher Units, and Instructional Units

The most common method of measuring the educational need of a district is through pupil counts: the greater the number of pupils, the greater the need. States utilize three types of pupil counts: Average Daily Attendance (ADA), Average Daily Membership (ADM), and Enrollment (ENR). ADA is determined by averaging a district's total daily attendance over a certain time period; ADM by averaging a district's total enrollment figures over a particular time period; and ENR by measuring a district's total enrollment on a single day. States vary in the measurement techniques used to determine ADA, ADM, and ENR pupil counts, as well as whether current year or previous year pupil counts are used.

Some states distribute aid using teacher units or instructional units as a measure of need, instead of pupil units. The number of teacher or instructional units is generally based on a district's ADA, ADM, or ENR count.

Generally, basic support aid is allocated on a per-unit basis, either pupil unit or teacher/instructional unit. Table 5 indicates the type of allocation unit used by each state. Nine states used ADA, 21 states used ADM, 11 states used ENR and nine states used teacher or instructional units. Of these, 34 states used current year unit counts, and 14 states used previous year(s) unit counts. It is interesting to note that Colorado used a combination of ADM and instructional units and Missouri used a combination of ADA and ADM. Because these states have been included in the table twice, the number of states totals 50 for unit type and only 48 for current or previous year counts. Hawaii and South Dakota were not included.

Weighting Procedures

Because students differ in their characteristics, some require more educational services and are more costly to educate than others. Therefore, most states use weighting procedures to account for differences in the cost of educating different groups of pupils. Weighting procedures, in effect, adjust the pupil count to provide a better reflection of a school district's educational need.

Weighting procedures generally are based on differences in grade levels, programs, and pupil handicapping condition. Weights are assigned in relation to the cost of educating the "regular" elementary school pupil, with the "regular" pupil given a weight of one (1.0). For example, if a particular category of student has a weight of 1.5, that implies that it costs 1.5 times as much to educate that student as it does the "regular" student.

Table 5 shows that 39 states used some type of weighting procedure in the calculation of pupil or teacher/instructional units.

Cost of Education

In order to recognize other kinds of educational circumstances affecting a district's cost of educating students, many states incorporate special adjustments into the basic support formula. Some of these cost adjustments include cost of education indices and adjustments for sparsity or isolated school districts, district size, teacher training and experience, municipal overburden, and enrollment growth.

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[4] Monk, *Education Finance*, p. 185.

[5] Monk, *Education Finance*, p. 186.

Table 5
Classification of 1990-91 Basic Support Allocation Units

Average Daily Attendance (ADA)	Average Daily Membership (ADM)	Enrollment (ENR)	Teacher or Instructional
California (w)	Arizona(w)	Connecticut(w)(p)	Alabama(w)
Idaho (w)	Arkansas(w)	Georgia(w)	Alaska(w)
Illinois (w) (p)	Colorado2(w)	Indiana(w)	Colorado[2](w)
Kentucky	Florida(w)	Iowa(w)	Delaware(w)
Missouri[1](w)	Maine(p)	Kansas(w)	Louisiana(w)
Montana (p)	Minnesota(w)	Maryland(w)(p)	Mississippi(w)
New York(w)	Missouri[1](w)	Massachusetts(p)	Washington(w)
Tennessee(w)	Nebraska(w)(p)	Michigan	West Virginia(p)
Texas(w)	New Hampshire(w)(p)	Nevada(w)	Wyoming(w)
	North Carolina(w)(p)	New Jersey(w)	
	North Dakota(w)	New Mexico(w)	
	Ohio		
	Oklahoma(w)(p)		
	Oregon(w)		
	Pennsylvania(w)(p)		
	Rhode Island(w)(p)		
	South Carolina(w)		
	Utah(w)		
	Vermont(w)		
	Virginia		
	Wisconsin(p)		
Total = 9	Total = 21	Total = 11	Total = 9

The following states provided descriptions for years other than 1990-91: Colorado1992-93, New Jersey1991-92, and Oregon1992-93.

Hawaii and South Dakota are not included. South Dakota is not included because basic support is not distributed based on allocation units. South Dakota's basic support aid is a reimbursement method based on the previous two years general fund expenditures.

[1] Missouri uses a combination of ADA and ADM.

[2] Colorado uses a combination of ADM and Instructional Units to distribute basic support aid.

(w) Indicates that the state uses a weighting procedure in the calculation of the allocation units.

(p) Indicates that the state uses only prior year(s) count of allocation units in the distribution of basic support aid. Although many of the states without a (p) base initial basic support aid calculations on prior year unit counts, adjustments are made to reflect current year unit counts. Source: Based on a survey conducted by the Education Law Center, Inc. of Newark New Jersey.

Ability to Pay

The ability of a school district to fund education at the local level is directly related to the local fiscal resources available to that district. In most states the only fiscal resource available to school districts is the property tax. Therefore, the most commonly used measure of district wealth is a district's equalized assessed property valuation.

Property values are said to be *equalized* because assessed values are adjusted for differences in assessment practices. For example, if the average assessment in one school district equals the average market value of property, while in a second district the average assessment is only half of market value, assessments in the second district would be multiplied by 2 to make them comparable to those in the first district.

School districts in some states have access to other revenue sources in addition to the property tax such as local income tax, local sales tax, vehicle excise tax, and user fees. Together, these form a pool of resources available to local districts to fund education.

Most states incorporate differences in local ability to finance education into the calculation of a district's basic support aid. This is generally accomplished by use of a local fiscal capacity measure that takes into account a district's wealth. Although the wealth factor most commonly used to measure local fiscal capacity is equalized assessed property valuation, many states use a combination of district wealth factors. This combination of local wealth factors may include personal income or other tax resources available to the district in addition to equalized assessed property valuation.

Table 6 indicates the wealth factors used in state measures of local fiscal capacity. It is important to note that this table does not refer to locally raised revenue resources available to school districts. Rather, it focuses on the wealth factors that are incorporated into the state measure of local fiscal capacity which determine the amount of basic support aid a district will receive. For example, if a school district has access to other tax sources in addition to the property tax, while the state uses only the equalized assessed property valuation of the district as a wealth factor in the measure of local fiscal capacity in the basic support formula, this state would be listed under the "Assessed Property Valuation" column and not under the "Assessed Property Valuation Plus Other Revenue Resources" column.

Table 6 shows that all of the 47 states listed used assessed property valuation as a wealth factor but that only 24 states used assessed property valuation as the sole wealth factor measuring local fiscal capacity in the distribution of basic support aid; 23 states use a combination of wealth factors. Of those states using a combination of wealth factors, eight states used a combination of assessed property valuation and personal income, ten states used a combination of assessed property valuation and other revenue sources (not including personal income), and five states used a combination of assessed property valuation, personal income and other revenue sources.

Table 6
Classification of 1990-91 Basic Support Local Fiscal Capacity Wealth Measures

Assessed Property Valuation		Assessed Property Valuation plus other Revenue Sources	Assessed Property Valuation & Personal Income	Assessed Property Valuation & Personal Income, plus other Revenue Sources
Arizona	Maine	Alaska	Connecticut	Alabama
Arkansas	Michigan	Indiana	Maryland	Kansas
California	Minnesota	Kentucky	New Hampshire	Mississippi
Colorado	Montana	Nebraska	New Jersey	Missouri
Delaware	North Dakota	Nevada	New York	Virginia
Florida	Ohio	New Mexico	Pennsylvania	
Georgia	South Carolina	Oklahoma	Rhode Island	
Idaho	Tennessee	Oregon	Vermont	
Illinois	Texas	South Dakota		
Iowa	Utah	Wyoming		
Louisiana	West Virginia			
Massachusetts	Wisconsin			
Total = 24		Total = 10	Total = 8	Total = 5

The following states provided descriptions for years other than 1990-91: Colorado1992-93, New Jersey1991-92, and Oregon1992-93.

Hawaii, North Carolina, and Washington not included. North Carolina and Washington do not use a measure of local fiscal capacity in the distribution of basic support aid.

Basic Support Funding Mechanisms

As mentioned above, basic support funding programs can be broadly categorized into five categories. The general funding mechanisms differ for each of these five types of programs as do the philosophical approaches inherent to each of the programs. Table 4 indicates the primary type of basic support program used in each state.

Flat Grants and Foundation Programs

Flat grants and foundation programs provide aid based on a philosophy of minimum provision. These programs assure every pupil a minimum level of per-pupil expenditure. This minimum expenditure level, which is defined by the state, should not depend on the school district in which the pupil resides. Additional per-pupil expenditures beyond the minimum level are funded by the school district without the benefit of state aid.[6]

Flat Grants

Flat grants, in simplest form, guarantee an equal amount of aid dollars per unit. The basic flat grant formula takes the following form:

$$A_i = FN_i$$

where: A_i = the dollar value of the state's grant to the *i* th district;

F = the flat grant level;

N_i = the number of pupils in the *i* th district.

Flat grants may be paid either on the basis of pupil units or teacher/instructional units.

Districts having the same unit count receive the same amount of state aid regardless of a district's ability to pay for education. Therefore, flat grant programs do not address differences in local fiscal capacity among districts.

Flat grants can address the issue of educational need by use of a weighting procedure in the determination of unit count. In this case, districts having different educational needs would receive differing amounts of state aid; the district with the greater educational need would receive more aid dollars.

Table 4 shows that two states used a flat grant program as the primary mechanism to distribute basic support aid. One state, Delaware, incorporated the use of a weighting procedure and also had a smaller secondary basic support aid program for wealth equalization.

Foundation Programs

Foundation programs provide each school district with a level of funding necessary to guarantee each of the district's pupils access to a minimum level of educational services in terms of dollars per pupil as prescribed by the state.[7]

The basic formula for a foundation grant takes the following form:[8]

$$A_i = N_iU — rW_i$$

where: A_i = the dollar value of the state's grant to the *i* th district;

N_i = the number of pupils in the *i* th district (suitably weighted);

U = the foundation level;

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[6] Guthrie et al., *School Finance and Education Policy*, pp. 132-137.

[7] Monk, *Education Finance*, p. 197

[8] Monk, *Education Finance*, pp. 197-198.

r = the common tax rate selected by the state;

W_i = the total value of the *i*th district's tax base.

Because foundation programs incorporate a measure of local wealth (W_i), they introduce a local fiscal capacity element not found in the flat grant programs. This establishes an inverse relationship between a district's ability to pay and the amount of state foundation aid. Foundation grants, like flat grants, may also take account of a district's educational need by the use of weighting procedures.

Although a district's local wealth is taken into account when calculating the amount of the state foundation grant aid, districts are not always required to tax at the rate (r) selected by the state. Local school districts usually impose taxes that enable them to spend more than the foundation level, usually considerably more. Because this spending generally is not equalized, foundation programs place school districts with relatively small per-pupil tax bases at a disadvantage relative to school districts with larger tax bases.

In some states the local effort (rW_i) is mandatory because districts are required by the state to have a tax rate no lower than rate r in order to participate in the basic support program. In other states, where the local effort is not mandatory, local effort is used only as a computational device used in determining the amount of basic support aid. Districts are free to determine their own tax rates.

Table 4 shows that 38 states used a foundation grant program as the primary mechanism to distribute basic support aid. Of these, 23 states had a mandated local effort, while 15 states did not.

Percentage Equalization, Guaranteed Tax Base, and Guaranteed Tax Yield Programs

These three grant programs provide aid based on a philosophy of equal access to educational funding, but each district decides the level of spending. These three types of grants are matching grant programs. The state will match a percentage of the funds raised for education by the school district based on the fiscal capacity of that district. The emphasis is on the equalization of the ability to generate revenues among school districts.[9] These three funding mechanisms are also known as District Power Equalizing mechanisms since they are concerned with the equalization of local districts' ability to raise revenue.

Although these programs help to "level the playing field" by providing larger grants to school districts with low fiscal capacity, they do not in practice equalize per-pupil spending because school districts with above-average tax bases usually impose sufficiently high tax rates that they spend considerably more per-pupil than school districts with below-average tax bases.

Percentage Equalization Programs[10]

Percentage equalization grants take the following form:

$$AR_i = 1 - (fW_i / W_s)$$

Where: AR_i = the aid ratio for the *i* th district ;

f = a scaling coefficient;

W_i = the measure of local fiscal capacity for the *i*th district;

W_s = an arbitrary measure of fiscal capacity set by the state for use in this formula.

The aid ratio is the rate at which the state will match local funds. For example, if the aid ratio were equal to .6, the state would match 60% of the of locally raised school revenue. The scaling constant can be interpreted as the local share of the grant program. For example, if f is set at .4 than, for a district whose wealth (w_i) is equal to W_s, the state would be required to pay 1 - f or 60%, leaving the district to pay 40% or .4. The level of W_i and the levels at which the state sets f and W_s determine the state share of school revenue in each district. The amount of aid a district receives is equal to:

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[9] Guthrie et al., *School Finance and Education Policy*, p. 133.

[10] The discussion of Percentage Equalizing is based on Monk, *Education Finance*, pp. 214-215.

$$A_i = AR_i E_i N_i$$

where: A_i = the dollar value of the state's grant to the *i* th district;

AR_i = the aid ratio for the *i* th district;

E_i = the per-pupil expenditure for the *i* th district;

N_i = the number of pupils in the *i* th district (suitably weighted).

In theory, there need be no limit on the amount of district expenditures that state aid will match. In practice, states do restrict aid, usually by limiting the amount of per-pupil expenditure that the state will match with aid, usually known as a spending ceiling. In this case, the total amount of aid a district can receive is equal to:

$$A_i = S\ AR_i N_i$$

where: A_i = the dollar value of the state's grant to the *i* th district;

S = the state per-pupil spending ceiling;

AR_i = the aid ratio for the *i* th district;

N_i = the number of pupils in the *i* th district (suitably weighted).

Some percentage equalization programs essentially become foundation programs because the grants are no longer matching. This occurs when the state imposes a spending ceiling (S), where S is generally lower than the district per-pupil expenditure level (E_i).

Table 4 shows that six states used a percentage equalizing grant program as the primary mechanism to distribute basic support aid. Of these, one state mandated local effort, while five states did not. All of these states imposed spending ceilings. For purposes of these volumes, states that utilized an aid ratio in determining the amount of state basic support aid were categorized as percentage equalizing programs.

Guaranteed Tax Base and Yield Programs

Guaranteed tax base (GTB) and guaranteed tax yield (GTY) programs are conceptually similar in that the state provides matching funds based on the level of local tax effort and the amount of revenues generated by that effort. In both the GTB and GTY funding mechanisms the state guarantees the school district a certain amount of revenue per-pupil for a given tax effort.[11]

GTB programs attempt to equalize district ability to pay by guaranteeing a certain level of assessed valuation per-pupil. For example, if the statewide average assessed valuation per-pupil is equal to $50,000, the state may guarantee this level of assessed valuation per-pupil for all districts. States, however, may set the guaranteed level at any amount, not necessarily at the statewide average assessed valuation.

In determining the tax rate necessary to raise its budget, the district would use the state guaranteed assessed valuation per pupil. The district would then apply this tax rate to its actual assessed valuation per pupil, with the state compensating the district for the difference between actual revenue raised and the amount that would be raised at the guaranteed valuation.[12] The amount of state aid would be equal to:[13]

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[11] Guthrie et al., *School Finance and Education Policy*, pp. 138-141.

[12] Guthrie et al., School Finance and Education Policy, pp. 138-141.

[13] Ronald C. Fisher, *State and Local Public Finance* (Glenview, IL: Scott, Foresman, 1988), p. 378.

$$A_i = (V_s - V_i)r_i$$

where: A_i = the dollar value of the state's grant to the i th district;

V_s = the guaranteed per-pupil tax base;

V_i = the per-pupil tax base of the i th district;

r_i = the tax rate of the i th district.

The equalizing effect of GTB programs depends upon the guaranteed level of assessed valuation per pupil. The higher the guaranteed assessed valuation per pupil, the greater the equalizing effect. However, the cost to the state also rises as the guaranteed assessed valuation increases.

GTY programs attempt to equalize district ability to pay by guaranteeing a certain level of revenue per pupil for a given tax rate. A sample GTY schedule would be similar to this:[14]

Effective Tax Rate[15]	*Guaranteed Revenue Per-pupil*
0.5%	$1,000
1.0%	$2,000
1.5%	$3,000
2.0%	$4,000

The higher the guaranteed revenue per pupil, the greater the equalization effect and the cost to the state.

Again, in theory, there need be no limit on the amount of locally raised revenue through GTB and GTY programs that state aid will match. In practice, states do limit the amount of aid provided by imposing an upper limit on the number of mills eligible for aid.

Table 4 shows that two states relied solely on a GTB or GTY grant program as the primary mechanism to distribute basic support aid. However, three states utilized GTB grant programs as a second tier of basic support funding in conjunction with a Tier 1 foundation program. All states imposed upper limits on the number of mills eligible for aid.

Full State Funding

Under full state funding, education is a state responsibility. All educational funds are raised by statewide taxes.[16] Hawaii is the only state whose education finance system can technically be classified as full state funding.

Washington, by court ruling, was ordered to assume full responsibility for a basic education program for grades K-12. Because of the court ruling, Washington is constitutionally obligated to fully fund the basic support program. Based on this, Washington was classified as a full state funding program for the basic support program only, although local districts impose taxes to provide supplementary support for non-basic programs.

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[14] Guthrie et al., *School Finance and Education Policy*, p. 139.

[15] An effective tax rate is the amount of tax divided by the market value of property. Tax rates are often expressed in mills, where each mill is equal to $1 per $1,000 of assessed valuation. If property is assessed at its full market value, 10 mills is equivalent to an effective tax rate of 1 percent.

[16] Guthrie et al., *School Finance and Education Policy*, p. 141.

HIGHLIGHTS OF STATE DESCRIPTIONS

Introduction

This section highlights some of the most important information in the state descriptions that comprise the major part of this book. Tables 7 through 13 cover seven general areas: basic state support programs, local support of schools, capital outlay and debt service, transportation, special education, other selected categorical programs and teacher retirement programs.[1]

The discussion of each table consists of two or three parts:

- Explanation of how complicated issues are treated
- Important findings
- Relevant information not included and cautions about interpretation; this section was omitted in discussing some tables.

In each table, states are listed in alphabetical order, with state aid reported in millions of dollars. All programs and amounts shown are for 1990-91 unless otherwise indicated. Variations in the degree of detail provided in program descriptions primarily reflect differences in the information provided by respondents. Rather than reduce all descriptions to a common level of generality, an attempt was made to reflect as many important details as were available, while maintaining a degree of consistency among states. Finally, information for West Virginia was taken from *School Finance at a Glance: 1990*, published by the Education Commission of the States.

Table 7: Basic Support Programs: State Contribution

Explanation of concepts

In some states, where the basic support program is a combination of program types, the program can be characterized in more than one way. In assigning labels to the programs, an attempt was made to conform to the broad program descriptions contained in the section *Overview of Funding Approaches*.

The adjustment factors listed in Column 7 are handled in a variety of ways by the states. Some are incorporated through pupil weightings, while others have formulae separate from the basic support formula. Emphasis here was placed on the most common adjustments, regardless of how they were handled in the formula.

Column 8 reports the number and proportion of districts "off formula," and column 9 reports hold harmless provisions, aid minimums and recapture provisions. The authors of the state descriptions did not employ a consistent definition of "off formula." For example, if a state has a hold harmless provision, districts benefitting from it might be considered off formula. If, however, the author considers that provision to be part of the basic aid formula, "none" might be reported in column 8.

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[1] Several categories of information in the state descriptions have not been summarized in this section for a variety of reasons. (1) Some are included in other parts of the introduction. (2) Some programs, for example those in *X. Other Categorical Programs*, are too varied to summarize in a uniform format. In addition, in many states, especially the less populous one, the funding for these programs is miniscule. Among them, however, are several pilot and grant programs that are extremely innovative, especially in the areas of technology, services for students at risk, and restructuring. Aspects of *XIII. Local School Revenue* and *XIV. Tax and Spending Limits* are discussed in the capital outlay and basic support tables. Finally, information provided in *XV. Earmarked State Revenue* was considered not sufficiently reliable to be summarized. What some state considered earmarked funds, others did not, and for some states no earmarking provisions were reported even though information from other sources confirmed that they existed.

Hold harmless provisions generally override the normal operation of an aid formula to provide certain school districts with more aid than they would otherwise receive. There are at least four general kinds of hold harmless provisions: total dollars (the most common type), dollars per pupil, property value per pupil, and enrollment. The first two guarantee the district the same total aid or aid per pupil as was received in a previous year. The third and fourth types protect districts against a loss of aid as a result of increases in property value per pupil or decreases in enrollment. For many states, the type of hold harmless provision is not specified in the table.

The term "recapture" refers to provisions that reclaim or withhold funds for the state from districts that generate revenue per pupil above a specified amount.

Important findings

Twenty-two of 43 responding states provide more than 75% of all state aid through the basic support formula. Six states (Alabama, Maryland, New Jersey, South Carolina, South Dakota, and Vermont) provide less than 50% of state funding for education through basic support.

Twenty states exclusively use basic foundation programs, while 18 others include some form of foundation program. Two states have full state funding, and New Mexico funds about 85% of total education expenditures at the state level. Percentage equalizing systems are used in six states and guaranteed tax base or tax yield in two states. North Carolina is the only state with an exclusively flat grant system.

Forty states use pupils as the basis for calculating basic support aid. Only nine states use the number of teachers or instructional units, and even in these states, units are based on enrollment data or class size.

Eight states adjust for sparsity, 12 for small size and 14 for enrollment growth. The latter adjustment usually is intended to cover changes in expenditures due to growth in enrollment after the time pupils are first counted for state aid purposes.

Connecticut, Michigan, Nebraska, New Jersey, New York, Ohio, Oregon and Vermont have the highest percentage of districts off formula. Among these states, Oregon has the highest proportion off formula (56%), and Vermont has the lowest (25%). For some of these states, the hold harmless provisions creating the situation are temporary mechanisms being used to phase in new basic support funding systems. The motivation in other states is to provide "something for everyone" — even the wealthiest districts. At the other end of the spectrum, Michigan, Utah and Wyoming "recapture" some funds from districts whose local revenue exceeds a certain level.

Among the 46 states providing information, 27 reported having no hold harmless, aid minimum, or recapture provisions. Thirteen states have some type of hold harmless provision, and four have a minimum aid provision. (Of these four states, three specify a minimum aid increase, and one limits the maximum aid reduction.)

The reader is directed to the state descriptions for a more complete discussion of basic support formulae. Table 7 does not address several aspects of the formulae which are crucial to a thorough understanding.

First, not reflected in the table is the great variation in the scope of the programs covered by the basic support program. For example, some states fund only general operations through the basic support program, with various categorical programs funding special areas like capital outlay, transportation, etc. Other states' basic support programs incorporate some or all of these areas. These variations must be considered in interpreting the percent of state aid dedicated to basic support program funding.

States funding special program areas through the basic support formula, e.g., by means of pupil weightings, often did not indicate whether districts were required to spend the funds in the areas for which the funds were generated. This results in some confusion as to how much money was actually spent in which program areas.

There is a much wider variety of adjustment factors incorporated into the basic support formulae than this table indicates. Finally, the table does not provide any details regarding the pupil weighting schemes used by the states. The term "weighted pupil" is used throughout the program descriptions, representing both very simple and extremely complicated weighting schemes.

Table 8: Basic Support Programs: Local Contribution

Explanation of concepts

In this table, fiscal independence (Column 3) is characterized by the authority of school districts, as governmental units, to levy taxes in support of public education.

The information contained in Column 4 (Program Type) is repeated from Table 7 to provide a context for the local contribution information. It is suggested that Column 6 of Table 7 (Highlights of Basic Support Program) be considered along with this table.

In Column 6, "basis for determining local fiscal capacity" refers *only* to the factors used to calculate the local share for use in the basic support formula. In some states, other measures of fiscal capacity are used in other parts of the school finance system.

In referring to property value, several different terms are used by states — such as assessed value, equalized assessed value, and market value. In fact, nearly all states utilize equalization studies to adjust for differences in assessment practices among school districts.[2] This table, therefore, refers simply to "property valuation." A complete description of differences in assessment practices is beyond the scope of this study.

Important findings

In most states, all school districts are fiscally independent. In 15 states, however, at least a majority of the school districts are fiscally dependent. The definition of fiscal independence varies from state to state, so comparisons should be made with caution. The discussion of fiscally independent schools in the section *Overview of School Revenue Patterns* is based on a consistent definition used by the U. S. Census Bureau.

All states incorporate the property tax into the calculation of local fiscal capacity in some manner. Thirteen states include a measure of residents' income in this calculation, including two states where it is one of several factors in a composite index. Kansas and Nebraska return a portion of state income tax revenue to the school district where it originates.

Relevant information not included

Information on assessment practices and ratios is not reflected because it was not provided consistently by the authors of the state descriptions. Specific borrowing regulations and limits on taxation also are not discussed. Both of these are discussed in detail in each state's section on local revenue; in addition, limitations on local fundraising are contained in *Table 9: Capital Outlay and Debt Service.*

Table 9: Capital Outlay and Debt Service Programs

Explanation of concepts

Limited information on local fundraising was included (Column 6) because local borrowing is such an integral part of capital project funding in most states. This column includes information on debt limits, voter approval, impact fees and tax limitations.

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[2] An equalization study enables a state to offset differences in the ratio of assessed value to market value. For example, if property in one school district is assessed at 10% of market value while property in another school district is assessed at 20% of market value, they will be treated uniformly if their respective assessments are multiplied by factors of 10 and 5.

Important findings

Thirty-six states provide some state funding for capital projects, including states that address capital outlay through their basic support program. Thirteen states provide no funding in this area. Information was not available for one state. The amounts provided and the percentage of state aid the amounts constitute vary widely from state to state. There is also considerable variation in debt limits, usually expressed as a percentage of district assessed valuation (see Column 6).

Seven states fund capital outlay and debt service through their basic support program, while 29 states (including Hawaii) have a separate funding mechanism.

In allocating funds for capital outlay and debt service, states often pay particular attention to facilities designed to alleviate racial isolation, asbestos abatement projects and facilities related to special education, vocational education and school district consolidation/cooperation.

Table 10: Transportation Programs

Explanation of concepts

The amount of detail provided about transportation programs varied greatly from state to state. Column 4 (Primary Transportation Program) contains the most basic information about the programs. Column 5 (Additional Funds/Notes) contains miscellaneous additional information. For example, some states furnished interesting details regarding bus purchases, transportation of private school and special pupils, and other adjustments to the basic program. Where available, this information is included in Column 5.

When a state reported that funding was provided for non-public transportation, an attempt was made to determine whether transportation of public school special education students placed in non-public institutions was included. For the purpose of this table, such funding was not considered funding for non-public transportation. Rather, a "Y" in this column indicates that the state provides funding for the transportation of resident pupils attending private school.

Important findings

All responding states provided some funding for pupil transportation. Transportation funding varied from 1.0% (Wisconsin) to 10.2% (New York) as a proportion of total state aid. Ten states funded transportation through their basic support formula. The others used a wide variety of categorical formulae, some of which were complicated regression equations based on population density, distances and costs.

Thirteen states provided some funding for non-public transportation. Nearly all of these states were in the Northeast or Midwest.[3]

Table 11: Special Education Programs

Explanation of concepts

Special education is often funded through the basic support formula. As was mentioned earlier, this results in some confusion as to how much was spent. This problem is reflected in the large number of states with no funding amount listed in this table.

Important findings

The proportion of total state aid dedicated to special education ranged from 2.5% (Kentucky) to 16.0% (Vermont). That percentage exceeded 10.0% in 20 of the 40 states that provided this information.

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[3] Connecticut, Delaware, Illinois, Iowa, Louisiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, Pennsylvania, and Wisconsin

About 19 states fund special education programs through their basic support programs, most often by weighting different categories of pupils or services.

Relevant information not included:

An interesting basis for comparing states' approaches to special education funding is the weighting system and/or service categories used in the programs. The relationship between the actual cost of providing services and the weightings varies from state to state. The weightings appear to vary from being close to arbitrary to being very directly related to actual costs. Providing detailed information about the weighting schemes is beyond the scope of this table, but such detail is important to consider when comparing these programs.

Table 12: Selected Categorical Programs

Explanation of concepts

This table provides a quick overview of state programs for compensatory education, gifted and talented children, bilingual education, and pre-kindergarten education. A "Y" under a particular program indicates that state funds were allocated for the program, regardless of whether the funding was a separate categorical or incorporated into other programs, such as special education or basic support. In a few states, funds were available to districts to implement several types of programs, including those in this table. If state funds were available to districts in this manner, a "Y" was recorded.

As was mentioned earlier, it is possible that if weightings in the basic support formula are given for efforts in specific program areas, the funds may not be spent in the program area for which they were generated. The individual state sections should be referred to for further details.

Funding for Compensatory Education (Column 2) refers to state funding. A state would not receive a "Y" in this column based on receipt of Chapter 1 or other federal funds. A "Y" in Column 5 (Funding for Pre-K Education) indicates pre-school funding for other than special education pre-school programs, although these may also be funded.

In the directions to authors of state descriptions, they were instructed to omit programs with funding below $1 million. Some small programs consequently are not included here. This restriction, however, was not consistently observed, particularly in states with small populations; that is, a small number of programs with funding below $1 million are reflected in the table.

Important findings

Compensatory education is funded in 29 of the 47 states for which information was available. All northeastern and most southern states funded compensatory programs. Gifted and talented programs received funding in 41 of 49 responding states, bilingual education in 28 of 49 responding states, and pre-kindergarten programs in 24 of 46 responding states. Twelve states funded all three of these areas—compensatory, bilingual and pre-K education, perhaps indicating a focus on programming for students at risk, or a relatively high presence of at-risk students in these states.

Relevant information not included

The reader is directed to the section in each state contribution titled Other Categorical Programs. This section contains small and often innovative programs, many of which serve students at-risk.

Table 13: Teacher Retirement Programs

Explanation of concepts

The state contribution to FICA (Social Security), if any, is not included in state funding (Column 2). In many states, the state contribution represents the state's assumption of what is really the employer (district) contribution. In these instances, there is "Y" in the state contribution column and an "N" in the district contribution column.

Important findings

Thirty-one of 46 responding states contribute directly to teacher retirement funds. Districts contribute in 26 states, and teachers in 32 states. There are only eight states where all three parties contribute, and in three states, the state pays the entire cost. Among states that make a contribution, the percent of total state aid represented by teacher retirement contributions ranges from less than 1.0% (California) to 19.2% (Maryland). Among the other 13 states, some may contribute indirectly through the general support program. Nineteen of 45 responding states contribute to FICA.

Table 7. Basic Support Programs: State Contribution

1	2	3	4	5	6	7	8	9
State	**Total State Funds (In millions)**	**Amount as % of State Aid**	**Program Type**	**Units**	**Highlights of Basic Support Program**	**Adjustment Factors**	**Districts Off Formula**	**Hold Harmless, Aid Minimums & Recapture Provisions**
Alabama	$564.0	40.4%	Modified foundation	Teachers	TUs are earned by districts based on ADA & specified class size divisors. (New lower divisors being phased in through the yr. 2000 will generate more TUs.); salary allocations based on acad. degree; except transp., all other prog. areas are funded by multiplying a legislated amt. by the # of TUs; additional prog. funds 25 categoricals	None	None	1 yr. hold harmless on enrollment
Alaska	486.0	73.3%	Foundation	Teachers	Foundation amt. for each dist. = value of instructional unit (IU) X # of units X regional cost differential less the local contribution	Small size	None	None
Arizona	1027.9	96.3%	Foundation	Pupils	Aid = $2404/WADM for M&O less the local contribution (not required); districts need not spend funds on progs. or students used to generate funds	Sparcity, small size, growth & higher salary costs of more experienced tchrs.	15/6.7%	None
Arkansas	743.0	78.4%	Foundation: 2-tiered	Pupils	Local resources /WADM subtracted from state equalization rate; equalization rate = (total approp. state aid + total of local resources statewide)/ WADM; 2nd tier for least wealthy districts only; qualifying Tier 2 tax rate is 25.5 mills to receive full amt.	Current year growth	3/0.9%	None
California	9047.6	57.8%	Foundation w/ flat grant component	Pupils	Foundation guarantee varies w/ dist. type, size & prior yr. amt. & is subject to numerous other adjustments; amt. ranged b/w $3103 &$4027 in 1990-91; state Aid = diff. b/w total adjusted revenue limit (guarantee) & local tax receipts; a flat grant of $120/ADA or $2400 /dist. is part of every districts's guarantee	Small size & 9 other adjustments may be made to foundation limits	NA	None
Colorado (1992-93)	1319.1	91.4%	Modified foundation	Pupils & instructional units	Funding levels vary among 8 categories of districts; categories based on cost of ed.; aid = wtd. pupil count (funding/pupil) + instr. unit factors (funding/unit), less local contribution	None	30/17.0%	Hold harmless, reduced required levy; in both cases, districts pay difference, not the state
Connecticut	891.9	61.9%	Percentage equalizing	Pupils	Aid = state % X $4486 X wtd. pupil count; state % = 1 - (town wealth/state guaranteed wealth); state guaranteed wealth is 1.6551 times the state median town wealth	For towns that are members of K-12, or high sch. regional districts	81/48.0%	Hold harmless, minimum increases
Delaware	316.2	79.4%	Flat grant w/ equalization component	Teachers	State pays a specified amt. per TU for salaries, $4986 per TU for all costs other than salaries & a wealth equalized amt. which can be used for salaries & other costs	None	None	None

(Continued)

NA = Information not available from material received

DNA = Does not apply

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Table 7. Basic Support Programs: State Contribution (Continued)

1 State	2 Total State Funds (In millions)	3 Amount as % of State Aid	4 Program Type	5 Units	6 Highlights of Basic Support Program	7 Adjustment Factors	8 Districts Off Formula	9 Hold Harmless, Aid Minimums & Recapture Provisions
Florida	4456.5	79.4%	Foundation	Pupils	Aid = wtd. pupil count for each ed. prog. X $2608.75 X dist. cost differential less the local contribution; supplementary allocations available to eligible districts; eg. extended day, salary improvement incentive	Declining enrollment, sparsity, rapid growth	None	None
Georgia	2618.5	91.7%	Foundation w/ guaranteed tax base component	Pupils	Aid = wtd. pupil count X $1602.40 less the local contribution; power equalization component applies to districts below 90th percentile in prop. wealth/pupil who levy taxes above 5 mills; for each 3.25 mills above 5 mills, state pays diff. b/w amt. generated & amt. that would be generated by dist. at the 90th percentile; supplementary allocations available to eligible districts	Sparsity, growth	None	None
Hawaii	642.7	DNA	Full state funding	DNA	Funding determined by legislature based on a biannual program budget system	None	DNA	None
Idaho	335.8	70.3%	Modified Foundation	Pupils	Aid = Unit factor ($40,563.28 in 1990-91) X # of units in dist less the local contribution	Enr. growth or decline	None	1 yr. hold harmless against decreased enr.; hold harmless against increasing market value; dist. will not receive less than yr. before
Illinois	2106.0	62.0%	Modified foundation/ guaranteed tax base w/ flat grant component	Pupils	Aid = wtd. pupil count X [(state guaranteed wealth/pupil - dist. wealth/pupil) X "computational" tax rate]; both state wealth/pupil & local tax rate vary depending on type of dist.; state guaranteed foundation level = $2501.63; alternative aid formulae for wealthy & very wealthy districts	None	None	None
Indiana	1640.0	66.0%	Foundation w/ flat grant component	Pupils	Aid = wtd. pupil count X $2825, less the local contribution; minimum increase of 5% over previous yr.'s total revenue; $28/pupil flat grant	Growth; new facilities operations levies	None	Total dollars hold harmless
Iowa	1050.2	52.4%	Foundation w/ flat grant component	Pupils	Aid = wtd. pupil count X ($2978 + per pup. growth amt.), less the local contribution; flat grant of $200/pupil for all districts	Enr. growth	None	None
Kansas	920.9	100.0%	Percentage equalizing	Pupils	Annual dist. budget increase based on its enr. category's median budget/pupil & is limited by legislature; Aid = total dist. budget less the local contribution; dist. total budget must exceed local effort to receive aid	None	NA	Hold harmless provision (will be phased out over 3 yrs.)

(Continued)

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Table 7. Basic Support Programs: State Contribution (Continued)

1 State	2 Total State Funds (In millions)	3 Amount as % of State Aid	4 Program Type	5 Units	6 Highlights of Basic Support Program	7 Adjustment Factors	8 Districts Off Formula	9 Hold Harmless, Aid Minimums & Recapture Provisions
Kentucky	1452.9	84.9%	Foundation w/ guaranteed tax yield component	Pupils	Aid = pupil count X $2305, less the local contribution; 8% minimum increase, 25% maximum increase over 1989-90 funding; additional state funding for all but wealthiest districts through state matching prog. & raising taxes above the required minimum	Growth	None	8% minimum increase over 1989-90 funding
Louisiana	1611.6	50.5%	Foundation	Teacher	Salaries provided for teachers, administrators and support staff, and support costs based on number of pupils and minimum salary schedule	Parish equalization	None	None
Maine	385.5	63.5%	Modified foundation	Pupils	Aid = elem. pupil count X $2982 (elem.) or sec. pupil count X $4213 (sec.), less the local contribution	Geographic isolation	63/22.3%	90% hold harmless provision (33 districts)
Maryland	797.2	45.5%	Foundation w/ flat grant component	Pupils	Aid = pupil count X $2352, less the local contribution; flat grant of $60/pupil for districts whose local share exceeds its total prog. (1 dist.); beginning in 1992-93, foundation amt./pupil will be 75% of statewide avg. exp./pupil in 3rd & 4th preceding yr.	None	1/4.2	None
Massachusetts	968.4	54.9%	Percentage equalizing	Pupils	Aid = 1 - local support percentage X wtd. pupil count X statewide avg. exp./ pupil in a regular prog.; funding for ed. very much dependent on municipalities, through which all state funds flow	None	None	None
Michigan	1818.7	59.1%	Guaranteed tax yield w/ flat grant component	Pupils	State guarantees state/local yield of $266/pupil (flat grant) + $90 per mill; additional $30, $14 & $25 per pupil to districts which enacted various state standards/requirements; for dist. levying state avg. of 32 mills & meeting all standards, guarantee amt. = $3146; aid = state guarantee - local levy	None	165/29.5%	Recapture of funds from districts off formula
Minnesota	1742.1	76.2%	Foundation	Pupils	Aid = (WADM X $2953, plus compensatory, training & experience & sparsity revenue which are driven by separate formulae) less the local contribution; per pupil revenue from these 4 aids must be at least $258 higher than amt. received by dist. in 1987-88	See aid components under program description	3/0.7%	None
Mississippi	768.6	88.7%	undation	Teachers	Salaries provided for tchr. units based on # of students per unit for regular, special & voc. ed. & on salary schedules; add. allocations for administration costs, support service, fixed charges & transp.; $36/pupil to counties in which there is only 1 dist.; purpose is to encourage consolidation	None	None	None

(Continued)

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Table 7. Basic Support Programs: State Contribution (Continued)

1 State	2 Total State Funds (In millions)	3 Amount as % of State Aid	4 Program Type	5 Units	6 Highlights of Basic Support Program	7 Adjustment Factors	8 Districts Off Formula	9 Hold Harmless, Aid Minimums & Recapture Provisions
Missouri	869.0	57.1%	Foundation w/ guaranteed tax base & flat grant components	Pupils	Aid = wtd. pupil count X foundation amt., less local contribution, plus the GTB computation; districts receive a minimum flat grant of about $300/pupil; foundation amt. varies based on pupil counts; 25% increase for each AFDC student	enr. growth, enr. decline	None	None
Montana	370.0	86.0%	Foundation w/ guaranteed tax base component	Pupils	Foundation amt. varies based on school size; aid = pupil count X foundation amt.; additional 35% of the foundation amt. levied permissively w/ state guaranteed tax yield of at least the avg. /pupil statewide mill	None	None	None
Nebraska	311.5	68.5%	Foundation	Pupils	Foundation amt. varies w/ size & grade groupings; aid = pupil count X foundation amt., less the local contribution	Size; 25% increase in foundation amts. for districts in which > 75% of students reside on Indian land	421/51.8% (due to hold harmless)	Hold harmless (for 1st 3 yrs. of new funding law)
Nevada	397.9	97.3%	undation	Pupils	Aid = (pupil count X foundation amt.) + SE units, less the mandatory local share; foundation amt. determined for each dist; additional funds available to districts whose expenditure projections exceed revenue projections for each yr. of the biennium	Enr. decline: larger of current or preceding yr.'s pupil count must be used to calc. aid	None	None
New Hampshire	47.1	59.9%	Foundation	Pupils	Aid = pupil count X foundation amt., less the local contribution; amt. received by districts prorated based on funds available	None	42/18%	NA
New Jersey (1991-92)	2061.6	46.2%	Foundation	Pupils	Aid = (pupil count X foundation amt.), less the local share; foundation amt. ranges from $3320 to $8820, based on 7 grade level groupings; foundation amt. reduced if it causes budget cap to be exceeded	Foundation amt. 5% higher in 30 low wealth urban districts	30 (special needs dist.), 264 Transition dist.) /50.5%	Districts receive minimum of 6.5% increase n 1990-91; this transition aid will be phased out 25% each yr. over 4 yrs.
New Mexico	861.5	91.9%	Foundation, near full state funding	Pupils	Foundation amt. varies based on calculated program costs & various adjustments; total funds represent more than 85% of all ed. expenditures statewide	Size, sparsity, growth	None	NA
New York	5183.0	57.5%	Percentage equalizing w/ ceiling & flat grant component	Pupils	Aid = $3761 X [1 - (.64 X wealth ratio)] or $360/pupil, whichever is greater; the wealth ratio = sum of 50% of dist.. FV/pupil compared to the state avg. & 50% of dist. income/pupil compared to the state avg.	Growth	303/43.3%	Total dollar hold harmless

(Continued)

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Table 7. Basic Support Programs: State Contribution (Continued)

1 State	2 Total State Funds (In millions)	3 Amount as % of State Aid	4 Program Type	5 Units	6 Highlights of Basic Support Program	7 Adjustment Factors	8 Districts Off Formula	9 Hold Harmless, Aid Minimums & Recapture Provisions
North Carolina	3252.9	100.0%	Flat grant	Pupils	Allotment in various categories based on dist. % of statewide ADM; certified staff allocated by actual cost of position, other categories by specified dollars	Small size & rural schools	None	None
North Dakota	169.7	74.2	Foundation	Pupils	Aid = wtd. pupil count X $1488, less the local contribution	None	1/0.4%	None
Ohio	2946.0	83.3%	Foundation	Pupils	Aid = pupil count X $2636 X cost factor, less the local contribution	Municipal overburden, declining enr., small size	219/35.8%	Hold harmless provision
Oklahoma	1027.6	95.8%	Foundation w/ equalized salary incentive	Pupils	Aid = wtd. pupil count X $1000, less the local contribution; salary incentive = wtd. pupil count X $47.69, less equalized local share	Small size, sparsity/isolation, enr. growth, enr. decline, cost of ed., municipal overburden	NA	None (Hold harmless phased out in late 1980s)
Oregon (1992-93)	1006.0	87.2%	Foundation	Pupils	Aid = wtd. pupil count X adjusted target grant X a funding percentage, less the local share; target grant = $4500	Size, sparcity	166/55.9%	Hold harmless on general purpose grant + transp.
Pennsylvania	2746.0	61.9%	Percentage equalizing w/ ceiling	Pupils	Aid = pupil count X $2380 X aid ratio; aid ratio = (.6 X Market Value aid ratio) + (.4 X personal income aid ratio); minimum & maximum aid ratios = 15% & 84%, respectively; 4 types of supplements available to eligible districts	None	None	Hold harmless plus minimum 2% increase
Rhode Island	285.7	87.6%	Percentage equalizing w/ ceiling	Pupils	State pays % of $3800 based on district's aid ratio; aid ratio based on district wealth/pupil compared to wealth of state; avg. state share = 50%; minimum state share = 25%; $3800 is also required minimum exp./pupil	None	NA	None
South Carolina	816.9	47.0%	Foundation	Pupils	Aid = pupil count X $1604, less the local contribution	None	None	None
South Dakota	60.8	42.8%	Foundation	DNA	Aid = district TGFE - misc. revenues - local effort; local effort based on district & state tax rates & market values for agricultural & non-agricultural property	Small grants for 1 or 2-teacher rural attendance centers, to be phased out 1994-95	None	Hold harmless provision, to be phased out b/w 1992 & 1994
Tennessee (1990-91); see text for new provisions	878.5	64.6%	Foundation	Pupils	Aid = wtd. pupil count X $569.76, less the local share;	None	None	Hold harmless on 1977-78 funds
Texas	5809.1	99.7%	Foundation w/ guaranteed yield component	Pupils	Tier I aid = pupil count X $2200, less the local share; $2200 gets adjusted by cost of ed. index; Tier II guarantees $21.50 per pupil for each cent levied above $.72/$100 of AV, the required rate	Sparcity, small size	None	None

(Continued)

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Table 7. Basic Support Programs: State Contribution (Continued)

1 State	2 Total State Funds (In millions)	3 Amount as % of State Aid	4 Program Type	5 Units	6 Highlights of Basic Support Program	7 Adjustment Factors	8 Districts Off Formula	9 Hold Harmless, Aid Minimums & Recapture Provisions
Utah	1020.0	76.1%	Foundation	Pupils	Aid = wtd. pupil units X $1346, less the local share; if local share exceeds the guarantee, surplus funds are recaptured; 5 major categories of progs. generate wtd. pupil units (WPUs)	Small size accounted for in formula as a prog. category	None	Recapture
Vermont	148.2	29.9%	Foundation w/ flat grant component	Pupils	Aid = wtd. pupil count X $3575, less the tax capability; minimum aid = $150 per pupil, except 39 "gold towns" received no aid	Foundation tax rate is adjusted for income	64/25.0%	Maximum loss provision whereby dist. cannot lose more than $100/ pupil from 1 yr. to the next
Virginia	1249.9	55.5%	Foundation	Pupils	Aid = pupil count X prog. costs, less the local share; prog. costs are calculated for each dist.	Adj. in per pupil costs for Washington D.C. area to reflect higher cost of living	None	None
Washington	2482.6	73.7%	Full state funding	Teachers	Enr. converted into staff units which are multiplied by state salary & benefits levels; allocations also made for non-employee related costs	Small size, growth	None	None
West Virginia	—	—	Foundation	Instructional Units	Salary support provided based on a statewide schedule, less local contribution	—	—	—
Wisconsin	1425.0	76.8%	2-tiered Guaranteed Tax Base	Pupils	Aid = diff. b/w guaranteed tax base & local tax base; primary cost ceiling = $4660; for costs above primary ceiling, a lower guaranteed base is used; guaranteed base "floats" high enough to distribute amt. appropriated	None	46/11.0%	None
Wyoming	271.2	76.5%	Foundation	Teachers	Pupils are used to compute classroom units (CRUs) according to a schedule of wts.; guaranteed CRU unit value = $76,190; dist. receives no aid if local resources exceed 109% of foundation amt; amt. above 109% is recaptured	Growth	5/10.2%	Recapture of local resources 109.0% above local guarantee
Total Amt.	$72,994.4							

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Table 8. Basic Support Programs: Local Contribution

1 State	2 # of School Districts	3 Fiscal Indep	4 Program Type	5 Local Contribution	6 Basis for Determing Local Capacity for Basic Support Formula Purposes
Alabama	129	N	Modified foundation	$4.7 m. statewide; calculated locally by multiplying county index of economic ability by $4.7 m.; districts also required to raise equiv. of 10 mills	Index of economic ability, or, the avg. of AV index & eco. index of financial ability; AV index = board's % of state AV; eco. index = avg. of 6 wtd. factors: sales tax, auto license, pers. income tax, manufacturing value added & farm income value
Alaska	33, plus 21 Regional Attendance Areas	N	Foundation	4 mills on FV of dist. or 35% of guarantee amt., whichever is smaller; 90% of federal PL 81-874 grants deducted from guarantee amt.	Property valuation, amt. of federal funds received
Arizona	225	220 Y 5 N	Foundation	$2.36/$100 of AV, $4.72 for unified districts & elem. districts not in a high school district; districts not required to levy these rates to receive payments; additional county equalization tax of $0.50/$100 of AV	Property valuation
Arkansas	325	Y	Foundation: 2-tiered	22.5 mills on real prop., 45 mills on personal and carrier/utility prop; 75% of misc. funds; local resources /WADM are adjusted as follows: total local res. - [($1200 -local res./WADM) X # of tchrs. w/ Masters]/WADM	Property valuation
California	1028	N	Foundation w/ flat grant component	1% property tax levied by each county; dist. receives amt. proportional to its share of the total prop. tax collections in the county prior to passage of Proposition 13 in 1978; state reimbursement for $7000 homeowner exemption; timber yield taxes & several other sources	Property valuation
Colorado (1992-93)	176	Y	Modified foundation	40.525 mills; uniform rate based on funds required to constitute 45.5% local share; State aid reduced if dist. imposes less than uniform levy; hold harmless districts levy additional taxes to pay diff. b/w formula amt. & hold harmless amt.	Property valuation
Connecticut	166	N	Guaranteed tax base/foundation	FV/wtd. pupil X (town per capita income/highest town per capita income)	Property valuation & per capita income
Delaware	19	Y	Flat grant w/equalization component	Districts must raise local revenues as matching for equalized aid	Property valuation
Florida	67	Y	Foundation	Required millage rate on 95% of district AV determined for each dist. based on assessment ratios; rates range from 5.7 to 6.4 mills; local effort may not exceed 90% of district's total foundation amt.; additional required millage = 5.9 mills adjusted for each dist. based on assessment ratios	Property valuation
Georgia	184	159 Y 25 N	Foundation w/ guaranteed tax base component	5 mills on assessed prop. equalized at 40% of market value or a rate which would generate 50% of their foundation amt., whichever is smaller	Property valuation
Hawaii	1	N	Full state funding	DNA	DNA

(Continued)

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Table 8. Basic Support Programs: Local Contribution (Continued)

1	2	3	4	5	6
State	# of School Districts	Fiscal Indep	Program Type	Local Contribution	Basis for Determing Local Capacity for Basic Support Formula Purposes
Idaho	115	Y	Modified Foundation	Amt. raised by tax rate of .347% on market value is subtracted from foundation amt., though districts are not required to levy that amt. to receive aid	Property valuation
Illinois	955	Y	Modified foundation/ guaranteed tax base w/ flat grant component	Access to full funding via formula requires districts to levy at least the computational tax rate (1.90%, 1.10% or 2.76% depending on dist. type)	Property valuation
Indiana	296	Y	Foundation w/ flat grant component	State required base tax levy	Property valuation; auto excise tax & financial institutions tax
Iowa	425	Y	Foundation w/ flat grant component	$5.40/$1000 of AV	Property valuation
Kansas	304	Y	Percentage equalizing	Local effort tax rate = (dist. budget/pupil div. by norm budget/pupil) X 6.899; this % is multiplied by dist. wealth for total local effort	Property valuation & 24% of dist. residents income tax (returned to sch. districts), P.L. 874 receipts, motor vehicle property tax, revenue in lieu of taxes
Kentucky	176	Y	Foundation w/ guaranteed tax yield component	Required $.30/$100 of AV; additional levy to participate in matching prog.	Property valuation, motor vehicle taxes & permissive taxes
Louisiana	66	Y	Foundation	5 mills, 13 mills in Orleans	Property valuation
Maine	283	86 Y 197 N	Modified foundation	6.13 mills	Property valuation
Maryland	24	N	Foundation w/ flat grant component	Each dist. contributes as its local share its percentage of the state total taxable capacity	Net taxable income based on residents' income tax returns & property valuation
Massachusetts	361	N	Percentage equalizing	Based on ratio of local wealth to state wealth	Property valuation
Michigan	560	Y	Guaranteed tax yield w/ flat grant component	Yield from chosen millage rate	Property valuation
Minnesota	432	Y	Foundation	26.3% of assessed property valuation	Property valuation
Mississippi	151	N	Foundation	Uniform minimum levy (28.33 mills) or maximum yield/pupil ($463); $463 = (28.33 mills X total state AV) / state ADA; state makes up diff. if taxes & other revenue sources do not produce $463	Property valuation, economic index, severance tax on oil, gas & timber
Missouri	543	Y	Foundation w/ guaranteed tax base & flat grant components	$1.25/$100 AV as minimum required tax rate	Property valuation w/ a levy adjusted for income

(Continued)

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Table 8. Basic Support Programs: Local Contribution (Continued)

1 State	2 #.of School Districts	3 Fiscal Indep	4 Program Type	5 Local Contribution	6 Basis for Determing Local Capacity for Basic Support Formula Purposes
Montana	538	Y	Foundation	No local share unless district is "non-isolated" elem. dist. w/ fewer than 10 students, in which case dist. must provide 50% of foundation amt.	Property valuation
Nebraska	812	Y	Foundation	Mathematically derived rate used to balance the equalization equation; rate ranged from $.43/$100 of AV to $1.1368/$100 of AV for diff. types of districts	Property valuation, other receipts & return of 20% of dist. residents income taxes to districts
Nevada	17	Y	Foundation	Local Sch. Support Sales Tax of $.015 + $.25/$100 of AV	Sales tax & property valuation
New Hampshire	176	N, except for capital city	Foundation	Town measures on property wealth, income & tax effort are compared to state avg.; statewide, 90% of educ. costs are funded locally	Property valuation, income wealth & school tax effort
New Jersey (1991-92)	582	Y	Foundation	(.5 X dist. AV X property value multiplier) + (.5 X dist. income X income multiplier); multipliers determined annually by state	Property valuation & district aggregate income
New Mexico	88	Y	Foundation, near full state funding	95% of 0.5 mills of AV local levy, 95% of federal forest reserve funds & 95% of P.L. 874 SE funds except those for students living on Indian lands & those designated for special ed.	Property valuation, amount of federal funds received
New York	695	690 Y 5 N	Percentage equalizing w/ ceiling & flat grant component	The difference b/w the state share (1 - .64 X wealth ratio) & dist. operating expenditures	Property valuation & adjusted gross personal income based on tax returns
North Carolina	134	2 Y 132 N	Flat grant	None required, but avg. is 21% of dist. total annual budget	DNA, but property valuation is source of local revenue
North Dakota	280	Y	Foundation	22 mill local deduct, not required	Property valuation
Ohio	612	Y	Foundation	Mandatory 20 mill property tax levy	Property valuation
Oklahoma	578	Y	Foundation w/ equalized salary incentive	35 mills, a 4 mill county levy, school land, goss production, auto license & REA taxes	Property valuation & misc. other (see local contribution column)
Oregon (1992-93)	297	Y	Foundation	Most general revenues received by districts; no mandatory level	Property valuation, timber revenue, federal aid & other sources
Pennsylvania	501	Y, except Philadelphia	Percentage equalizing w/ ceiling	The difference b/w the state share & district operating expenditures	Property valuation & personal income
Rhode Island	37	N	Percentage equalizing w/ ceiling	NA	Property valuation, adjusted for median family income
South Carolina	91	41 Y 50 N	Foundation	Total statewide local share (about 30%) X dist. index of taxpaying ability; index = dist. full value/pupil compared to state avg. full value/pupil	Property valuation

(Continued)

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Table 8. Basic Support Programs: Local Contribution (Continued)

1 State	2 # of School Districts	3 Fiscal Indep	4 Program Type	5 Local Contribution	6 Basis for Determing Local Capacity for Basic Support Formula Purposes
South Dakota	183	Y	Foundation	Local contribution based on statewide average tax rate applied to full market value of agricultural and none-agricultural property	roperty valuation
Tennessee (1990-91); see text for new provisions	139	N	Foundation	Total statewide local share (about 7.5%) X dist. index of taxpaying ability; index = adjusted county prop. value/adjusted state property value	Property valuation
Texas	1053	Y	Foundation w/ guaranteed yield component	$.72/$100 of AV	Property valuation
Utah	40	Y	Foundation	4.656 mills	Property valuation
Vermont	254	Y	Foundation w/ flat grant component	$1.085/$100 of MV	Property valuation & income
Virginia	137	N	Foundation	Based on the local composite index	Local composite index in which prop. value is wtd. at 50%, adj. gross income at 40% & local taxable retail sales at 10%
Washington	296	Y	Full state funding	None	DNA
West Virginia	55	Y	Foundation	4.5 mills on farm & residential property; 9 mills on other property	Property valuation
Wisconsin	428	Y	2-tiered guaranteed tax base	District's equalized value as portion of guaranteed tax base X aidable costs	Property valuation
Wyoming	49	Y	Foundation	6 mills against county AV + 25 mills; the 2 elem districts must levy 20 mills + 5 mills to support students attending h.s. in a K-12 dist.; land income payments from the state, fines & forfeitures, & other sources	Property valuation & sources listed under local contribution column

NA = Information not available from material received DNA = Does not apply

Table 9. Capital Outlay and Debt Service Programs

1	2	3	4	5	6
State	Total State Funding (In Millions)	Amount as % of State Aid	Primary State Program	Additional State Programs	Limits on Local Funding
Alabama	$1.3	0.09%	Funded through basic support prog.; $58.50 X # of earned tchr. units at each local board		
Alaska	147.5	NA	State pays 80% of debt service on SED approved construction projects begun before 1990 ($110.7 m.)	Additional $36.8 m. for capital construction projects	
Arizona	NA	NA	Funded through basic support prog.; foundation program guarantees $219.14/K-8 student, $260.09/9-12 student & a capital levy amt. of 170.27/student that can only be used for capital outlay		General obligation bonds constitutionally limited to 15% of AV in elem & h.s. districts, 30% in unified districts; voter approval required
Arkansas	0.0	0.0%	$28 m. in 3 revolving loan funds; dist. may borrow up to $300,000 for 6 yrs; max. interest is 5 percentage pts. above federal discount rate		Voter approval required; millage must cover 150% of bldg. cost; debt limited to 18% of AV, 21% w/ State BOE approval
California	1756.2	11.2%	State issues bonds to pay for school construction, then leases facilities to districts at $1.00/yr. for 40 yrs., after which the dist. owns the facility; dist. must contribute to the state the max. amt. it could raise from developers' fees during the construction, until the certif. of occupancy is received	Remainder of $ support emergency temp. classrooms, deferred maintenance, yr.-round sch. & asbestos abatement programs	Developers' fees levied on new construction limited to $1.56/sq.ft. for residential projects, $.26 for commercial/industrial; 2/3 majority needed to approve bond measure
Colorado (1992-93)	NA	NA	Funded through basic support formula;districts required to budget $202/pupil from basic support funding for capital outlay		Levy to pay principal & interest on bonds is exempt from tax & spending limitations
Connecticut	83.1	5.8%	Percentage equalized based on town wealth/capita; funding ranges from 20-80% of eligible costs for new construction, expansion & renovation; from 40-80% for code violation projects	State aid for principal & interest on municipal sch. construction bonds	Only municipalities, not local dist., can issue bonds; value of all sch. construction bonds cannot exceed 4.5 times municipality's prev. yr. tax revenue
Delaware	NA	NA	State funds 60% of regular school outlay & 100% of voc.& SE facility outlay; starting in 1992, these funds are equalized based on an ability to pay index; max. local share still 40%	$4.4 m. for 60% of scheduled maintenance & repair costs, allocations based on enr.; $1 m for unscheduled repairs, based on enr., bldg. age & other factors.	Debt limit = 10% of AV; voter approval required for bond sales
Florida	388.0	7.5%	Funds allocated through a formula based on "a percentage of FTE membership & growth in FTE membership"*	Funds for Special Facilities Construction availableon case by case basis when district needs are not met by normal funding procedures.	6 mill limit on bond levies w/out State BOE approval*; maximum 2 yrs. & 2 mill limit on voter approved levy; 2 mill limit on levies w/out election

(Continued)

NA = Information not available from material received

Table 9. Capital Outlay and Debt Service Programs (Continued)

1 State	2 Total State Funding (In Millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs	6 Limits on Local Funding
Georgia	64.9	2.3%	Equalized based on property wealth per pupil; funding ranges from 75-90%. 5-yr. facilities plans must be approved by SED.	Funding for consolidation projects also provided	Dist. cannot sell bonds in excess of 10% taxable property value; referenda must be approved by majority of voters
Hawaii	145.3	NA	All capital projects must be approved by the legislature & are funded entirely by current state tax revenues		
Idaho	0.0	0.0%	No state aid available	No state aid available	Multi-yr. tax levy to create School Plant Facilities Fund requires 2/3 majority vote
Illinois	39.2	NA	Limited assistance available through Capital Development Board ($29.2 M)	$10 M through Ill. Dept. of Energy & Natural Resources for school weatherization	
Indiana	38.1	1.6%	Flat grant of $40/ADA		$1.25 maximum per $100 of AV in district Capital Projects Funds; state constitutional debt limitation in dist. of 2% of AV
Iowa	0.0	0.0%	No state aid available	No state aid available	Bonds require 60% voter approval; debt limit = 5% of AV, max. length 20 yrs.; other limitations apply to "schoolhouse levy," "site levy" & ed. & recreational tax"
Kansas	0.0	0.0%	No state aid available	No state aid available	Bonds cannot exceed 14% of AV w/out permission of State Board of Tax Appeals; limited ability to transfer $ from general fund to capital outlay — when allowed, no more than 2% of total general fund budget
Kentucky	NA	NA	$100/pupil through basic foundation prog.	Some equalized funding based on property wealth; additional funds based on proportion of districts' unmet facilities needs re: total statewide unmet needs	
Louisiana	0.0	0.0%	No state aid available	No state aid available	State constitutional debt limit of 75% of AV; voter approval needed to issue bonds
Maine	41.6	6.8%	State subsidizes principal & int. costs for approved projects, leases and insured value factor costs		
Maryland	137.4	7.8%	Statewide, state share of approved project costs = 60%; local share is 25%, 35%, 45% or 50%, depending on district's wealth class ($131 m.)	$6.4 m. for payment of all local debt service on bonds issued before 6/30/67	
Massachusetts	130.3	7.4%	Percentage equalized; funding ranges from 50-90%	90% funding for constuction of facilities to alleviate racial isolation	

(Continued)

NA = Information not available from material received

Table 9. Capital Outlay and Debt Service Programs (Continued)

1 State	2 Total State Funding (In Millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs	6 Limits on Local Funding
Michigan	0.0	0.0%	No state aid available	Bonds approved by Supt. of Public Instruction are guaranteed 100% by the state; through School Bond Loan Prog. dist. may set tax rate at 7 mills & borrow up to 90% of funds needed to meet annual bond payments	Total bonded indebtedness may not exceed 5% of equalized valuation on bonds issued without voter approval
Minnesota	126.2	5.5%	Facility Aid: $130 minus a required equalized local levy Equipment Aid: $65 minus a required equalized local levy Health & Safety Aid: (approved exp. since 1985 minus total aid & levy receipts since 1985) minus current yr. required levy		
Mississippi	3.4	0.4%	75% of funds for capital improvement from sale of state school bonds, limited to $100m outstanding at any time	$18/ADA to be accrued for capital outlay; districts can borrow from state against future yrs.' grants	Debt limit = 15% of AV; voter approval, w/ 60% majority required to issue bonds; notes & certif. of indebtedness limited to amt. (princ. & int.) that a 3 mill levy could repay over a max. of 10 yrs.
Missouri	0.0	0.0%	No state aid available	No state aid available	Debt limit = 10% of AV
Montana	0.0	0.0%	No state aid available	No state aid available	Debt limit = 45% of taxable valuation; voter approval required
Nebraska	Less than 1.0	NA	In Lieu of School Land Tax, Homestead Exemption progs. & energy grants		Debt limit = 14% of actual valuation for some classes of school districts; voter approval required
Nevada	0.0	0.0%	No state aid available	No state aid available	Voter approval required for bonds & to levy a pay-as-you-go tax of $.75/$100 of AV in counties w/ < 25,000 pupils, $.75/$100 in counties w/ > than 25,000; Tax Commission approved tax on residential construction limited to $1000
New Hampshire	12.8	NA	State pays 30 -50% of annual principal payments on construction projects	An additional 5% is paid to regional school districts as incentive for consolidation	
New Jersey (1992-93)	76.4	1.7%	Debt svc. aid = district's debt svc. X percent of foundation aid dist. receives		
New Mexico	9.9	1.1%	$7.5 m. for emergency outlay needs which cannot be met by other sources, distributed by appointed council; $2.4 m. in equalized funds based on prog. units & prop. wealth		Voter approval required to issue bonds, (debt limit = 6% of AV), to impose tax up to $10/$1000 of taxable prop. value up to 5 yrs. & to impose tax up to $2/$1000 for up to 3 yrs. for certain capital needs

(Continued)

NA = Information not available from material received

Table 9. Capital Outlay and Debt Service Programs (Continued)

1 State	2 Total State Funding (In Millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs	6 Limits on Local Funding
New York	353.0	3.9%	Percentage equalized, based on expenditures approved by the SED; Equalized based on property wealth per pupil compared to the state avg.; 184 districts benefit from option to use most beneficial wealth ratio since 1981-82	Competitive grants for asbestos management projects	
North Carolina	1000.0 Million + 14% of monthly corporate income taxes	NA	Funds allocated to county gov based on county ADM; county distributes to districts for use in state approved capital projects; county need not based on ADM	Critical School Facility Needs Fund: grants awarded based on inability of districts to meet minimum facility standards from other funding sources; fund contains $40m to which state adds $10m annually; short term emergency loans up to $300,000 available to districts w/ some restrictions	Bond sales require voter approval; district bond sales limited to maximum debt ceiling of 8% of county tax base
North Dakota	0.0	0.0%	No state aid available	State school construction fund provides up to $5 m. in low interest loans	60% majority required to issue bonds (debt limit = 10% of AV); Up to 20 mills may be levied to support voter approved building fund
Ohio	26.5	0.6%	Covers 50% of net cost of public school buses, 100% for buses purchased to transport non-public & handicapped pupils		Voter approval required to issue bonds (debt limit = 9% of AV) which must be retired w/in 23 yrs.; 5 yr, limit on levy that funds Permanent Improvement Fund
Oklahoma	0.0	0.0%	No state aid available	No state aid available	Bonds must be approved by 60% of voters; debt limit = 5% of AV;
Oregon (1992-93)	0.0	0.0%	No state aid available	No state aid available	Voter approval required to issue bonds (debt limit = .55% of market value for each grade K-8, .75% for each grade 9-12
Pennsylvania	142.0	3.2%	Percentage equalized, based on SED approved expenditures; equalized based on market value aid ratio or relative market value wealth per teacher unit of 30 elem. or 22 sec. students, whichever is higher		Non-voted debt cannot exceed 250% of borrowing base (which is avg. of district's total rev. for 3 preceding yrs.), 300% incl. new lease rental debt; limits are 100% & 150% resp. for Philadelphia*
Rhode Island	NA	NA	Percentage equalized; avg. state share = 38%; bond interest payments considered reimbursable expenses; minimum aid ratio = 30%		
South Carolina	NA	NA	$30 per pupil, whether or not construction is planned; districts can save the $30 each yr.		Districts can borrow up to 8% of AV w/out referendum; 8% can be exceeded by referendum stating exact amt. to be borrowed & use for money
South Dakota	NA	NA	NA	NA	NA

(Continued)

NA = Information not available from material received

Table 9. Capital Outlay and Debt Service Programs (Continued)

1 State	2 Total State Funding (In Millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs	6 Limits on Local Funding
Tennessee	11.8	<1.0%	Funding based on prior yr. ADA; law requires state share statewide to be 42.5%, actual state share was 12.5%**		
Texas	NA	NA	Funded through Tier II of basic support prog.; state guarantees $21.50/WADA for each cent levied above $.72, up to $1.17	(1 time alloc. of $50 m. in 1991-92; beginning in 1992-93, funding will be through Tier I of basic support prog.	Voter approval req. to sell bonds; total principal indebtedness limited to 10% of AV w/ unlimited tax rate, OR ceiling on tax rate of $1/$100 of AV w/ no limit on principal amt. of bonds issued; max. term of bond issue is 40 yrs.
Utah	6.5	0.8%	Districts qualify for 1 or more of 3 aid progs. by having unmet bldg. needs, being bonded to 95% of capacity & levying required millage; equalized prog. being phased in beginning 1991		Districts can levy up to 2 mills; unlimited, millage allowed to meet bond payments; Voter approval required to issue bonds & to levy additional 2 mills for capital outlay
Vermont	10.7	1.8%	Approved projects eligible for 15% of total cost before groundbreaking & an additional 15% of total cost upon project completion; state paid $4min 1990-91	Approved projects eligible for debt service aid at same % as through general aid formula; state paid $6.7m in 1990-91, 1/2 of which was carried over from previous program which paid 20% of debt service expenditures	
Virginia	0.0	0.0%	No state aid available	No state aid available	Voter approval required for counties to issue bonds; cities & towns do not need approval; bonded indebtedness limited to 10% of AV for cities & towns, no limit for counties
Washington	155.6	4.6%	Formula based on 5-yr. dist. enr. projection, current bldg. space available & bldg. age, & legislatively determined max. construction cost per sq.ft.; funding equalized based on prop. wealth, w/ state paying 20%-100% of costs, 50% for the dist. of avg. wealth	State pays 90% of cost for voc. ed. facilities, facilities for other cooperative ventures & bldgs. designed to promote desegregation	Legislature must authorize districts to raise "debt service levies" or "capital projects levies," 2 of 4 special levies available to school districts
West Virginia	—	—	Aid = a flat grant, an amt. /pupil + the amt./ pupil * an assessment ratio comparing the bond potential of a dist. to the state		Debt limit = 5% of AV
Wisconsin	NA	NA	Funded through the basic support prog.		Voter approval req. to borrow >$1 m.; Indebtedness limited to [illegible]% of AV
Wyoming	NA	NA	Capital outlay for buses & leases addressed through basic support prog.; $3.8 m. distrib. by the farm loan board based on statutory criteria incl. the dist. reaching 80% debt limitation	Funds to help low wealth districts repay bonds available by application to SED	Voter approval required to issue bonds; debt limit = 10% of AV; Above mill requirement for capital outlay, dist. may levy 1 BOE approved, & 2 voter approved mills
Total Amt.	$4,908.7				

NA = Information not available from material received

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Table 10. Transportation Programs

1	2	3	4	5	6
State	Total State Funds (In Millions)	Amount as % of State Aid	Primary Transportation Program	Additional Funds/Notes	Non-public Transp. Support
Alabama	$55.4	4.0%	Funded through basic support prog.; allocations based on density of pupils residing 2 or more miles from sch. and on prior yr. daily costs; amt. received by each dist. prorated based on ratio of legislated approp. to total allowed cost		N
Alaska	25.0	NA	State provides 100% of transportation funding under a state grant program		N
Arizona	NA	NA	Funded through basic support prog.; allocations based on approved daily route miles & eligible pupils transported; wtgs. are used to allocate additional funds for voc. & tech. ed., athletic trips, etc.		N
Arkansas	47.2	5.0%	3-tiered formula; Tier 1 grants vary inversely w/ ratio of avg. students transported to square mileage in district, Tier 2 is an allowance per bus in regular use; Tier 3 is a grant for training bus drivers & mechanics	19 out of 325 districts have a wealth factor included in their aid calculation	N
California	337.4	2.2%	$328.6 m. in aid based on prior yr.'s aid plus a cost of living adjustment (COLA); aid increases have not kept pace w/ transp. costs	$3.4 m. in additional aid to small districts for higher transp. costs; $5.4 m. for the purchase of new buses, esp. those operating on alternative fuel sources	N
Colorado (1992-93)	32.7	2.3%	Approved costs funded at $.3787/mile + 33.87 of amt. by which costs exceed mileage reimbursement; state share may not exceed 90% of districts' transp. expenditures		N
Connecticut	37.4	2.6%	Percentage equalizing formula; funding ranges from 10-60%		Y
Delaware	33.9	8.5%	Formula based on 30 mile min. route, bus age, fuel & insurance costs, & an inflation factor; state pays 100% of transp. costs for K-6 pupils living 1 mile from sch. & 7-12 pupils living 2 miles from school	Reimbursement to non-public sch. pupils based on annual approp. & # of eligible pupils	Y
Florida	178.5	3.5%	Formula based on allowable cost/pupil X eligible pupils; factors determining allowable cost incl. actual expenses, bus replacement costs, pupil density & bus route mileage; eligible students incl. those living at least 2 miles from sch., special ed. students, students travelling b/w schools during the day (e.g., voc. programs), & students in teen parent program, pre-K program, or K-6 subjected to hazardous walking conditions, regardless of distance; aid to districts pro-rated based on amt. appropriated	Each yr. 10% of buses in service are scheduled for replacement; funds for bus purchase = number of buses X cost of diesel powered bus for 65 riders; each dist. receives amt. based on district's need in proportion to total need, since calculated cost usually exceeds approp.	N
Georgia	115.8	4.0%	Funding for tranport of pupils residing more than 1.5 miles from sch, transported on SED* approved routes & buses; aid based on standard and variable cost schedules*	Funding for transport of handicapped pupils; state pays 12.5% of bus purchase price each yr. for 8 yrs., 10% for 10 yrs. for larger diesel buses	N
Hawaii	22.9		Dept. of Accounting & General Svcs. funds all transp, 95% of which is provided by private contractors.		N
Idaho	23.0	NA	Districts reimbursed for 85% of allowable previous year costs, including a bus depreciation allowance		N

(Continued)

NA = Information not available from material received

Table 10. Transportation Programs (Continued)

1 State	2 Total State Funds (In Millions)	3 Amount as % of State Aid	4 Primary Transportation Program	5 Additional Funds/Notes	6 Non-public Transp. Support
Illinois	254.2	NA	Regular & Vocational Transp: $123 Million: Districts receive the greater of $16 /eligible pupil or reimbursement for allowable costs less a qualifying amt; Qual. amt. = .05, .06 or .07% of equalized AV, for elem., HS or unit districts, respectively; eligible pupils reside at least 1.5 miles from sch. or must walk through a safety hazard area; 80% of allowable costs for transporting pupils to voc. ed. progs. during the day are reimbursed by the state	Special ed. transp: $102.8 million//80% of allowable costs; Reimbursement to parents of students that did not have access to transp.: $13.4 million/lesser of transp. cost or avg. per pupil reimbursement for regular transp.; Bus driver ed. progs: $15 million	Y
Indiana	41.1	1.7%	Per eligible pupil, state pays $280 minus $20 X (Tot. elig. pupils / tot. round trip mileage) Total dist. amt. = per pupil amt. X tot. elig. pupils MINUS a local contrib. of $.55 per $100 of AV; eligible pupils reside more than 1 mile from school; dist. allowance may be adjusted based on amt. appropriated by legislature; in 1991, districts rec. 97% of their entitlements, but state funds covered only 18% of regular transp. costs	State reimburses 80% of eligible costs of transp. to special ed. and vocational ed. progs.	N
Iowa	6.3	0.5%	Funded through basic support program	$6.3 million to reimburse districts for transportation or paying to transport non-public pupils	Y
Kansas	44.6	4.8%	State provides the lesser of 82% of the actual cost per pupil transported OR the state avg. cost per pupil transported; a density-cost graph determines costs; eligible pupils reside at least 2.5 miles from sch.	Transp. for special ed. students & teachers funded at 80% of costs.	N
Kentucky	107.3	6.3%	State pays approved cost of transporting students who live at least 1 mile from sch.; Costs based on pupil density and avg. per pupil per day cost of transp. in comparable districts*; Local districts spent $9.1 million on basic transp. in 1990-91	Additional $2.1 million to reimburse districts for transporting students from sch. to vocational progs. (74% of districts participate)	N
Louisiana	NA	NA	NA	NA	Y
Maine	NA	NA	State pays a share of base yr. costs + bus purchase costs		NA
Maryland	132.4	7.6%	Dist. receives amt. rec. in 1981-82 increased by the lesser of 8% or change in CPI for private transp. in Baltimore area for 2nd preceding yr.	Included in total is $2 m. for transporting handicapped pupils at $500 per pupil needing special transp. in excess of # transported in 1980-81	N
Massachusetts	84.6	4.8%	Regional school districts reimbursed for 100% of transportation costs for pupils living at least 1.5 miles from sch. ($28.3 million in 90-91); All other districts reimbursed $5 per public & private student	100% reimbursement for pupils transported to alleviate racial isolation; partial reimbursement for pupils using public transp., bilingual & special needs pupils & transp. to vocational progs. outside district	Y
Michigan	102.0	3.3%	Aid determined by formula based on # and type of pupils transported, mileage and the # and size of buses; state aid pays approximately 1/3 of districts' transportation expenses	Reimbursement for expense of training bus drivers; non-publics reimbursed for transp. expenses assoc. w/ obtaining certain special ed. services from public schools.	Y
Minnesota	118.3	5.2%	Formula based on 2nd prior year costs, predicted cost (derived using regression analysis) & 5.4% increase for inflation. Elem. students must live at least 1 mile from school; sec. students must live at least 2 miles from sch. to be eligible for transportation; local share based on specified % levies for different categories of transp. aid.	1. Separate allocation for students who don't meet distance requirements, but live where hazardous walking conditions exist. 2. Separate allocation (100% of current yr. costs) for other categories, incl. desegregation & handicapped	Y

(Continued)

NA = Information not available from material received

Table 10. Transportation Programs (Continued)

1 State	2 Total State Funds (In Millions)	3 Amount as % of State Aid	4 Primary Transportation Program	5 Additional Funds/Notes	6 Non-public Transp. Support
Mississippi	36.6	4.4%	Funded through basic support prog.; allocations based on ADA transported per sqare mile & a State BOE rate table; state assumed about 53% of transp. costs in 1990-91	SE & voc. ed. transp.= 50% of allotment under foundation prog. X # pupils transported + $.20/mile not to exceed 1 round trip for each route	
Missouri	108.5	7.1%	State funds up to 80% of cost predicted for each dist., ; predicted cost based on density, mileage & cost for similar districts; efficiency incentive: districts which do not exceed 105% of predicted cost receive 80% of approved cost; districts exceeding 105% may receive as low as 56%; elig. pupils live 1 mile or more from sch.		N
Montana	10.0	2.3%	Reimbursements determined by statutory schedule per bus mile		N
Nebraska	NA	NA	Funded through basic support prog.	$7.8 m. for reimbursing 90% of allowable cost of transporting children w/ disabilities; $22,000 to reimburse parents whose children have opted to attend a public school district other than the district of residence	N
Nevada	15.5	4.0%	Funded through basic support prog.; 85% of allowable expenditures/ pupil are incl. in basic support guarantee; allowable exp. = 2 yr. avg. of equip. costs & 1 yr. of operations cost plus an inflation amt. in both yrs. of the biennium		N
New Hampshire	3.8	4.8%	State aid only for transporting students to vocational education centers		N
New Jersey (1991-92)	248.0	5.6%	Aid based on # of eligible students & avg. # of miles travelled; eligible students = K-8 living more than 2 miles from sch., 9-12 living more than 2.5 miles from sch. & special ed. students; cost differentials in different areas in the state are also factored in		Y
New Mexico	60.9	6.5%	Formula based on cost of 15 factors, including depreciation, bus replacement, M & O*, fuel, drivers' salaries, etc	1. Separate allocation for transporting students b/w schools and vocational centers 2. Reimbursement of transp. costs to low income parents for attendance outside attendance zone.	N
New York	911.7	10.1%	State aids 90% of approved expenditures; approval based on capacity, routes, mileage & minimum distance eligibility.		Y
North Carolina	144.2	4.4%	Allocation formula based on prior yr. M & O costs, which are adjusted for current yr. fuel costs, salaries & ridership; bus purch. locally funded - state approval required	1. Separate alloc. for special ed. and summer sch. transp. 2. Formula will change pending results of efficiency study currently underway.	N
North Dakota	17.5	7.6%	$0.25 /mile for 9 or less capacity vehicles, $0.65 for 10 or more capacity vehicles plus $0.25/day/pupil for those residing outside city limits & $0.125 /ride for those who reside w/in city limits; eligible pupils must meet distance requirements	State reimburses districts for supporting transp. to sch. by rural families; special ed. and voc. ed. transp. supported at reg. rates w/ no distinction b/w residence w/in or outside city limits	N
Ohio	146.0	3.7%	Funded through categorical portion of basic support prog.; allocations based on State BOE formulas using # of pupils & total annual miles; state pays about 40% of transp. costs		Y
Oklahoma	22.5	2.1%	Flat grant based on Avg. daily haul, a per capita amt. determined by pupil density, and a factor computed by the legislature		NA

(Continued)

NA = Information not available from material received

Table 10. Transportation Programs (Continued)

1 State	2 Total State Funds (In Millions)	3 Amount as % of State Aid	4 Primary Transportation Program	5 Additional Funds/Notes	6 Non-public Transp. Support
Oregon (1992-93)	73.0	6.3%	State funds 70% of approved transp. costs, including depreciation of dist.-owned buses, transp. of students who meet distance requirements, handicapped pre-school students, students travelling b/w schools & room & board in lieu of transp.		N
Pennsylvania	236.7	5.3%	The lesser of a formula based approved cost or the district's actual transp. cost is multiplied by the dist. market value aid ratio to calculate aid	Excess Cost Reimbursement limits dist. contribution to 1/2 mill on dist. market value; districts received $70 per non-public student transported (est. at $124 in 1991-92)	Y
Rhode Island	NA	NA	Funded through basic support prog.		-
South Carolina	29.0	2.1%	State pays for and runs entire transp. system	N	N
South Dakota	NA	NA	NA	NA	NA
Tennessee	20.8	1.5%	60% based on prior yr. ADA transported 1.5 miles or more; 40% of state funds apportioned to districts based on ratio of county sq. miles to total state sq. miles; state share of total expenditures was 22.6%	Under Education Improvement Act of 1992, state share of total transportation expenditures will be 50%	N
Texas	271.2	4.7%	Linear density formula determines allowance per mile; maximum rate/mile set by appropriation	Transp. for eligible handicapped pupil receives state funds based on prior yr. cost /mile; transp. b/w schools (eg. to voc. programs) reimbursed base on miles traveled X district's extracurricular travel/mile rate as set by local Board of Trustees	N
Utah	27.4	3.5%	Transp. funds allocated using a linear regression formula that includes # of eligible students, density, & approved costs as factors; eligible students must meet distance requirements: 1.5 miles from sch. for K-8, 2 miles for 9-12		N
Vermont	NA	NA	Funded through basic support formula; pupil wtg. based on population density - the more sparsely settled, the heavier the wtg.	Transp. to vocational centers reimbursed at 50% up to capped mileage rate	N
Virginia	NA	NA	Funded through basic support prog.; costs are calculated for reg. transp., special ed.transp. & bus replacement based on prevailing costs in each category; reimbursements based on districts' composite index of local ability to pay		N
Washington	126.8	4.1%	Districts w/ more than 10 buses rec. $170.83 per rider whose bus stop was w/in 1 mile of sch.,$191.81 b/w 1 & 2 miles, etc. & $509.49 (max) for > 17 miles; Districts w/ 10 or fewer buses rec. additional 5.3%; additional allocation to districts w/ <74 riders & for special vehicles; state paid about 75% of total exp.	Annual state payment to districts = to fraction of each bus' value based on a depreciation schedule; state paid approx. 34% of total exp.for transp. vehicles	N
West Virginia	-	-	Aid = 80% of transp. cost excl. salaries	10 year cycle for bus replacement	N
Wisconsin	17.7	1.0%	State pays flat amt. per transp. pupil based on distance each pupil is transported; prorated 94% in 1990-91		Y
Wyoming	20.5	5.8%	State pays 75% of actual prior yr.'s transp. expenses		N
Total Amt.	$4,348.30				

NA = Information not available from material received

Table 11. Special Education Programs

1 State	2 Total State Funding (In millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs
Alabama	$130.0	9.3%	$98.2 million for: 3600 SE tchr. units allocated: most based on total enr., some based on wtd. SE enr; SE tchr. units carry same salary as basic support prog. tchr. units	$26.3 million for: continuation of appropriation to dist. based on ADA; $5.5 million for private SE schools
Alaska	2.6	<1.0%	Funded through basic support prog.; additional instructional units awarded for 4 categories of wtd. SE students	Additional $2.6 m for special schools for handicapped students
Arizona	NA	NA	Funded through basic support prog.; SE is funded through add-on weights in foundation prog.	
Arkansas	3.0	<1.0%	Funded through wtgs. in basic support prog.; wtgs. based on services rendered	Additional $3 m. for SED supervisors & regional cooperatives; pilot progs. for handicapped preschool children
California	1682.0	10.8%	Funding is unit-based, w/ funding determined by type of instructional setting; reimbursement based on current level of services, inflation adj. 1979-80 costs, a local general fund contrib., federal aid and local property taxes	Included in $1682 m. is 100% reimbursement for excess cost of non-public placements for most pupils in licensed institutions of foster homes, 70% for all other nonpub. placements
Colorado (1992-93)	53.4	3.7%	Statute requires state to pay 80% of most SE costs, but state pays only about 25%	
Connecticut	214.3	14.9%	Equalized based on town wealth; funding ranges from 10-70% of eligible costs	
Delaware	NA	NA	Funded through basic support prog.; Additional units awarded by reducing # of pupils per unit for 12 categories of SE students	
Florida	NA	NA	Funded through basic support formula; # of students in any of 16 SE progs. is multiplied by a program wtg. & then by the base student allocation ($2608.75)	
Georgia	248.6	8.7%	Funded through basic support formula based on pupil weightings for 5 categories of special education pupils, including gifted & talented	
Hawaii	35.4	NA	Line items in state budget increased based on economic growth & increase in pupils to be served	
Idaho	32.0	6.7%	Funded thorugh basic support program; dist. reimbused for 80% of salaries of approved certificated positions & a max. of $7200 for noncertificated positions	

(Continued)

NA = Information not available from material received

Table 11. Special Education Programs (Continued)

1 State	2 Total State Funding (In millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs
Illinois	334.7	10.1%	Districts & SE cooperatives reimbursed at specified rates for SE personnel; e.g., $8000 per full time professional worker, for noncertified employees the lesser of 1/2 the salary paid or $2800/yr	2-tiered formula reimburses districts for tuition at private & other non-district SE facilities: dist. receives diff. b/w dist. regular tuition per/pupil & the lesser of $4500 or the priv. tuition; in Tier II, state pays all tuition greater than dist. reg. tuition plus $4500; state pays up to $2000/child to districts whose SE costs after other reimbursements exceed reg. tuition/pupil; additional appropriations for SE summer sch. & SE services for pupils from orphanages, children's homes, state housing units or foster homes
Indiana	147.0	5.9%	SE pupils weighted by "area of exceptionality" in basic support program; state pays $1438 X wtd. pupils	
Iowa	123.8	10.6%	Funded through basic support prog.; based on wtgs.; 83% of SE costs funded by the state	
Kansas	121.4	13.2%	State pays approx. $15,150 per certified SE teacher or 71% of districts' excess costs; SE transp. funded at 80% of costs	
Kentucky	43.6	2.5%	Funded as add-on to basic foundation prog.; add-on amt. based on 3 categories of SE pupils; per pupil amt. multiplied by district SE pupil count for each category; per pupil amts. are $5394, $2697 & $539 for severe, moderate and least handicapping conditions, respectively	
Louisiana	265.0	12.2%	$237.8 m. provided through equalized basic support program for teachers, administrators and assessment teams	$12.2 m for contractual services; $15 m. for gifted & talented prog.
Maine	NA	NA	State pays share of approved SE costs	
Maryland	120.3	6.9%	$70 m. to districts fixed at amt. rec'd in 1980-81; $11.3 m. based on wealth per pupil & SE enr.	Additional progs. fund non-public placements (state pays all costs >3 times non-handicapped pupil cost), day care centers (state pays full cost) & assistance to pupils placed out of state and returned to Md.
Massachusetts	NA	NA	Funded through basic support formula based on a pupil weighting for special needs programs	
Michigan	202.2	6.6%	$121.4 pays 75% of added costs of SE progs./svcs., 100% of certain residential prog. costs;	$51.6 m. reimburses intermediate districts (which serve all districts) based on a per pupil guarantee & enr.; $29.2 m. to equalize intermediate district millages levied for SE purposes
Minnesota	178.1	7.8%	3 forms of aid support 6 separate SE progs.: aid for salaries = 60% of exp., not to exceed $16,727 per employee;	Aid for supplies & equip. = 47% of cost, up to an avg. of $47 per SE pupil; aid for contracted svcs. =52% of the diff. b/w the contracted cost & the gen. ed. rev. for the pupil

(Continued)

NA = Information not available from material received

Table 11. Special Education Programs (Continued)

1 State	2 Total State Funding (In millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs
Mississippi	127.2	14.7%	Funded through basic support prog.; additional teacher unit for each approved SE program	$.7 m. for univ. based progs., $6.5 m. schools for the deaf & blind; $1 m. for eval. & screening svcs.; $78 m. for reimbursement to parents, districts for private placements; $.37 for extended yr. progs.
Missouri	155.4	10.2%	Allocation based on teacher units — approx. $15,000/unit; new mandated progs. fully funded	
Montana	33.8	7.9%	Prorated appropriation distributed to districts & SE cooperatives for approved SE costs; state funded about 70% of these costs in 1990-91	
Nebraska	68.0	15.0%	Districts reimbursed for 90% of allowable excess costs for students receiving more than 3 hrs. of SE svcs./wk., 80% for those receiving not more than 3 hrs./wk	
Nevada	32.9	8.3%	SE prog. units assigned monetary value; districts reimbursed on unit basis for # of units operated up to specified limit; 1 unit = $25,200	State funds out-of-district placements; $1 m. for dev. & use of in-state progs. for autistic, emot. dist. & traumatic brain-injured students
New Hampshire	8.7	11.1%	Districts receive 80% of SE costs that exceed 3.5 times state avg. cost/pupil	
New Jersey (1991-92)	528.7	11.9%	Funded through basic support prog.; # of students in each of 26 SE categories is multiplied by the cost factor for each category & the foundation amt. ($6835)	
New Mexico	152.5	16.3%	Funded through basic support prog. wtgs; $122.2 m. funds 4 groups of SE pupils classified by extent of svcs. req.; $21 m. funds other ancillary progs.; $9.3 m. for SE progs. for 3 & 4 yr. olds	
New York	1039.9	11.5%	Public Excess Cost Aid: $883.7 mill: For programs operated by public schools or BOCES (regional centers); Percentage equalization applied to a variable ceiling and an alternate variable flat grant based on district spending and a minimum aid ratio; State share is 49% for average wealth district; additional funds provided for students in very expensive programs	Separate funding for students in private facilities ($66.6 mill), summer programs ($78.9 mill, districts fully reimbursed), or in the care of the state ($24 mill)
North Carolina	253.7	7.8%	Basic SE funding = $1768 per SE pupil	$7500 per district + 5% of ADM for preschool SE progs. w/ dist. held harmless to 1989-90 federal allotment; $166.09 per SE pupil for related svcs. such as transp.
North Dakota	12.2	5.4%	State funds based on schedule of reimbursement; overall state share is about 35% of excess costs	Separate support available for SE transp.; state pays costs exceeding 2.5 times state avg. cost/pupil for pupils served outside the district or in the home

(Continued)

NA = Information not available from material received

Table 11. Special Education Programs (Continued)

1 State	2 Total State Funding (In millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs
Ohio	440.6	11.2%	Funded through categorical prog. w/in basic support prog.; flat grants awarded for approved units; units based on teacher salary, retirement, sick leave & classroom & other expenses	Extended service grants for certified employees working an extended yr.
Oklahoma	NA	NA	Funded through basic support prog.; based on wtd. pupil categories	
Oregon (1992-93)	34.0	2.9%	State pays 100% of costs above the avg. cost per non-SE student in each county	
Pennsylvania (1990-91)	385.0	8.7%	State paid to districts the difference b/w per pupil SE costs & per pupil non-SE costs; prog. had $147 m. deficit for 1990-91	
Pennsylvania (1991-92)	508.0	10.4%	Funding system based on fte pupils in SE classes; system assumes 17% of dist. ADM requires part time SE svcs. & $7000 per pupil for 1% of ADM assumed to require full time SE svcs.	
Rhode Island	34.3	10.3%	Based on diff. b/w educating handicapped & non-handicapped pupil and on 14 categories of placement; state will pay only up to 110% of median cost in each category; 8% minimum growth	
South Carolina	NA	NA	Funded through 8 wtgs. in basic support prog.	
South Dakota	22.8	NA	Aid = allowable SE expenditures - .007 X district prop. value	
Tennessee	127.1	9.4%	Funded through basic support prog.; cost differentials added to basic prog. cost of $569.76	
Texas	353.3	14.6%	For each fte in an SE program, basic allotment is multiplied times one of 13 program weightings	Dist. receives $2500 for each pupil in a partially self-contained classroom who was placed in a totally self-contained classroom for at least 2/3 of the prior yr.
Utah	NA	NA	Funded through basic support prog.; additional weighted pupil units (WPUs) for 5 categories of SE svcs.	
Vermont	34.9	16.0%	3 main categories of funding: 1)Block grants based on total ADM -tot appropriation based on 60% of avg. SE salaries; 2) state pays 90% of costs for students whose cost exceeds 3 times the foundation cost ($3575); 3) wealth equalized reimbursement for costs b/w 1 & 3 times the foundation cost; statewide avg 50% reimbursement	Additional funding for wards of the state, pre-school ed., & small programs for visual, hearing impaired & others
Virginia	134.6	6.0%	Assistance for SE salaries based on SE count & class size standards; state share based on locality's "composite index of local ability to pay."	State pays 43% of homebound instruction costs, 100% of Voc. Ed., Inservice & Interagency Assistance Funds; state share of tuition costs is based on the composite index

(Continued)

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Table 11. Special Education Programs (Continued)

1 State	2 Total State Funding (In millions)	3 Amount as % of State Aid	4 Primary State Program	5 Additional State Programs
Washington	308.0	9.1%	Formula based on 3 categories of staff units & on # of pupils in each of 14 categories of handicapping condition; specified amts. per unit are added for insurance benefits, supplies & other non-staff related costs, & substitute tchrs.	
West Virginia	—	—	Funded through basic support prog. w/ wtgs.	Additional funds for teaching personnel, facilities, transportation
Wisconsin	246.8	13.3%	State pays fixed % of costs: 63% of salaries, 63% of SE transp., 51% of psychologists & social workers & 100% of board, lodging & transp. for nonresident SE students; amts. prorated based on funds available — 95% in 1990-91	
Wyoming	52.2	14.7%	State reimburses districts for 85% of prior yr.'s actual SE expenses, 80% for out-of-state SE placements	
Total Amt.	$8,479.6			

NA = Information not available from material received

Table 12. Funding for Selected Categorical Programs

1 State	2 Funding for Compensatory Education	3 Funding for Gifted & Talented	4 Funding for Biligual Education	5 Funding for Pre-K Education
Alabama	N	Y	N	N
Alaska	N	Y	N	N
Arizona	N	Y	Y	N
Arkansas	Y	Y	N	Y
California	Y	Y	Y	Y
Colorado (1992-93)	N	N	Y	Y
Connecticut	Y	Y	Y	N
Delaware	Y	Y	Y	Y
Florida	Y	Y	Y	N
Georgia	Y	Y	Y	N
Hawaii	Y	Y	Y	NA
Idaho	N	Y	Y	N
Illinois	Y	Y	Y	Y
Indiana	Y	Y	N	Y
Iowa	N	Y	Y	Y
Kansas	N	Y	Y	Y
Kentucky	Y	Y	N	Y
Louisiana	Y	Y	Y	Y
Maine	N	Y	Y	Y
Maryland	Y	Y	N	Y
Massachusetts	Y	N	Y	N
Michigan	Y	Y	Y	Y
Minnesota	Y	Y	Y	Y
Mississippi	Y	Y	N	N
Missouri	Y	Y	N	Y
Montana	N	Y	N	N
Nebraska	N	N	N	N

(Continued)

NA = Information not available from material received

Table 12. Funding for Selected Categorical Programs (Continued)

1 State	2 Funding for Compensatory Education	3 Funding for Gifted & Talented	4 Funding for Biligual Education	5 Funding for Pre-K Education
Nevada	N	Y	N	N
New Hampshire	NA	NA	NA	NA
New Jersey (1991-92)	Y	N	Y	Y
New Mexico	N	Y	Y	N
New York	Y	Y	Y	Y
North Carolina	Y	Y	Y	N
North Dakota	N	N	N	N
Ohio	Y	Y	N	Y
Oklahoma	Y	Y	Y	NA
Oregon (1992-93)	Y	Y	N	N
Pennsylvania	N	N	N	N
Rhode Island	NA	NA	NA	Y
South Carolina	Y	Y	N	Y
South Dakota	N	Y	N	NA
Tennessee	N	Y	N	N
Texas	Y	Y	Y	Y
Utah	NA	Y	N	N
Vermont	N	N	Y	Y
Virginia	Y	Y	Y	N
Washington	Y	Y	Y	Y
West Virginia	N	Y	Y	-
Wisconsin	Y	Y	Y	Y
Wyoming	Y	Y	N	N
Total states funding:	29	41	28	24

NA = Information not available from material received

DNA = Does not apply

Table 13. Teacher Retirement Programs

1 State	2 Amount State Pays* (In Millions)	3 Amount as % of State Aid	4 State Contribution	5 District Contribution	6 Teacher Contribution	7 State Contribution to FICA
Alabama	$117.0	8.4%	Y	N	Y	Y
Alaska	0.0	0.0%	N	Y	NA	N
Arizona	0.0	0.0%	N	Y	Y	N
Arkansas	89.8	9.6%	Y	N	Optional	N
California	47.7	1%	Y	Y	Y	N
Colorado (1992-93)	0.0	0.0%	N	Y	Y	N
Connecticut	159.7	11.1%	Y	N	Y	N
Delaware	21.0	5.3%	Y	Y	Y	Y
Florida	961.0	13.8%	Y	N	N	Y
Georgia	NA	NA	Y	N	Y	N
Hawaii	NA	NA	N	Y	Y, for some	Y
Idaho	40.1	8.4%	Y	N	NA	Y
Illinois	299.1	9.0%	NA	NA	NA	NA
Indiana	197.5	8.6%	Y	Y, some	Y	Y
Iowa	0.0	0.0%	N***	Y	Y	N
Kansas	45.0	5%	Y	N	Y	NA
Kentucky	227.6	13.3%	Y	N	Y	N
Louisiana	144.2	7.2%	Y	NA	NA	N
Maine	76.1	12.5%	Y	N	Y	N
Maryland	335.8	19.2%	Y	N	Y	Y
Massachusetts	269.0	15.5%	Y	N	Y	N
Michigan	363.1	11.6%	Y	N	Y	Y
Minnesota	0.0	0.0%	N	Y	NA	N
Mississippi	107.9	12.5%	Y	Y	Y	Y
Missouri	0.0	0.0%	N	Y	Y	N

(Continued)

* Amt. state pays does not include FICA
NA = Information not available from material received

** Retirement costs will shift to districts in 1993-94

*** No direct state contribution. Retirement contributions are indirectly provided for through the Basic Support Program

Table 13. Teacher Retirement Programs (Continued)

1	2	3	4	5	6	7
State	Amount State Pays* (In Millions)	Amount as % of State Aid	State Contribution	District Contribution	Teacher Contribution	State Contribution to FICA
Montana	16.0	3.7%	Y	Y	Y	N
Nebraska	0.0	0.0%	N	Y	Y	N
Nevada	0.0	0.0%	N	Y	N	N
New Hampshire	1.9	2.4%	Y	Y	Y	N
New Jersey (1991-92)	607.3	13.6%	Y	N **	N	Y
New Mexico	93.5	10%	Y	N	Y	Y
New York	0.0	0.0%	N	Y	Y, for some	N
North Carolina	226.3	7%	Y	N	Y	Y
North Dakota	0.0	0.0%	N	Y	Y	N
Ohio	0.0	0.0%	N	Y	Y	N
Oklahoma	58.9	5.5%	Y	Y	NA	Y
Oregon (1992-93)	0.0	0.0%	N	Y	Y	N
Pennsylvania	571.0	12.9%	Y	N	Y	Y
Rhode Island	NA	NA	NA	NA	NA	NA
South Carolina	224.7	NA	Y	Y	N	Y
South Dakota	NA	NA	NA	NA	NA	NA
Tennessee	145.1	10.7%	Y	Y	Y	Y
Texas	831.9	14.3%	Y	N	Y	N
Utah	NA	NA	Y	N	N	Y
Vermont	15.0	10.1%	Y	N	Y	N
Virginia	167.3	7.4%	Y	Y	N	Y
Washington	211.7	6.3%	Y	Y	Y	Y
West Virginia	—	—	—	-	-	-
Wisconsin	NA	NA	N***	Y	NA	N
Wyoming	0.0	0.0%	N	Y	N	N
Total Amt.	6373.1					

* Amt. state pays does not include FICA
NA = Information not available from material received

** Retirement costs will shift to districts in 1993-94

*** No direct state contribution. Retirement contributions are indirectly provided for through the Basic Support Program

OVERVIEW OF CHANGES IN BASIC SUPPORT AID SINCE 1986-87

Since publication of *Public School Finance Programs of the United States and Canada, 1986-87,* school finance systems have been under considerable scrutiny. Much of this has focused on the equity of the funding. Many states are undergoing legal challenges to their education finance systems, and at least four have had them overturned by the courts. As a result, changes have occurred in the methods that states use to finance education.

This section highlights some of the major changes that have occurred in basic support programs in three respects: type of basic support program, allocation units, and wealth factors used in determining local fiscal capacity. The reader is advised to interpret these tables with caution. Some of the changes may be definitional in nature; the definitions used to categorize basic support programs and their elements were not consistent between editions. This is most evident regarding the definition for Full State Funding programs.

Comparison of Basic Support Programs Between 1986-87 and 1990-91

Type of Program	*1986-87*	*1990-91*	*Change*
Flat Grant	5	2	- 3
Foundation	30	38	+ 8
Percentage Equalizing	5	6	+ 1
GTB/GTY	6	2	- 4
Full State Funding	4	2	- 2
Total	50	50	

Eleven states were reclassified between the last edition and this one. Of these 11, four were reclassified based on definition. These states were Alabama (flat grant to foundation program), California (full state funding to foundation program), Massachusetts (foundation program to percentage equalizing), and New Mexico (full state funding to foundation program). The remaining seven states were reclassified based on changes in education finance policy between 1986-87 and 1990-91.

The major trend has been increased reliance on foundation programs to fund basic support aid. There was a net increase of five foundation programs due to policy changes (Alaska, Colorado, Kentucky, Nebraska, and New Jersey). This is the reverse of the trend shown in the previous edition when there was a movement away from foundation programs. The increase in foundation programs resulted from a shift away from flat grants and GTB/GTY programs.

Another trend is the reduction in the use of GTB/GTY programs as the primary basic support aid program. Four states changed from the use of GTB/GTY programs to other types of programs: Colorado, foundation; Connecticut, percentage equalizing; New Jersey, foundation; and South Dakota, foundation.

Because of legislative iniatives, two states (Kentucky and Nebraska) changed from flat grant to foundation grant programs. The reduction in full state funding programs was the result of a change in definition.

The increase in percentage equalizing programs is the result of the reclassification of Massachusetts. However, during this time period Alaska changed from a percentage equalizing to a foundation program, and Connecticut changed for a GTB to a percentage equalizing program, both the result of changes in policy.

Comparison of Basic Support Allocation Units Between 1986-87 and 1990-91

Type of Unit	*1986-87*[1]	*1990-91*[2]	*Change*
Pupil			
ADA	9[3]	9[3]	0
ADM	24	21[4]	- 3
ENR	9	11	+ 2
Teacher/Instructional	8	9	+1
Total	50	50	

[1] Hawaii not included.
[2] Hawaii and South Dakota not included.
[3] Missouri used an average of ADA and ADM and was included in both.
[4] Colorado used a combination of ADM and Instructional Units and was included in both.

Fourteen states were reclassified between the last edition and this one, of which, 10 were reclassified based on changes in definitions: Georgia, ADM to ENR; Indiana, ADM to ENR; Louisiana, ADM to teachers; Maine, ENR to ADM; Massachusetts, ADM to ENR; Michigan, ADM to ENR; Minnesota, ENR to ADM; Montana, ADM to ADA; New Mexico, ADM to ENR; and North Carolina, teachers to ADM. Three states were reclassified as a result of policy changes: Colorado, ADA to a combination of ADM and Instructional Units; Kentucky, teachers to ADA; and Oklahoma, ADA to ADM. One state, West Virginia (ENR to teachers), was changed based on information from the Education Commission of the States. Since no state description was received for West Virginia it was not possible to determine if this change was definitional or the result of a change in policy.

States still rely mainly on pupil counts to allocate basic support aid, with the use of ADM being the most widely used measure of pupil count, followed by ENR. ADA is still the least common measure of pupil count. Use of teacher/instructional units shows a net increase of one, with Colorado adding an instructional unit component.

Comparison of Local Fiscal Capacity Wealth Factors Between 1986-87 and 1990-91

Type of Wealth Factors	*1986-87*[1]	*1990-91*[2]	*Change*[3]
Property Valuation (only)	30	24	- 6
Property Valuation plus Other Revenues[4]	6	10	+ 4
Property Valuation & Personal Income[5]	12	13	+ 1
Total	48	47	

[1] Hawaii & North Carolina not included.
[2] Hawaii, North Carolina, and Washington not included.
[3] The total net change of -1 is the result of Washington not being included.
[4] Personal Income is not included.
[5] Includes those states which may include other revenues in addition to personal income.

Nine states were reclassified between the last edition and this one, four of which were reclassified based on changes in definitions. Arkansas and Illinois changed from multiple measures to assessed property valuation only, and Indiana and New Mexico changed from assessed property valuation to multiple measures. Five states were reclassified based on changes in policy (Alaska, Kentucky, South Dakota, Wyoming, and New Jersey). All of these states changed from assessed property valuation to multiple measures. Of these five, New Jersey is the only state to add a measure of income.

The major trend has been a movement away from property valuation as the only measure of district ability to pay to the use of multiple measures of ability to pay. The primary shift has been toward the incorporation of additional sources of local revenue other than personal income. Only one additional state has incorporated a personal income measure since 1986-87.

OVERVIEW OF CANADIAN SCHOOL FINANCE PLANS

The legal context for funding in schools in Canada is in part defined by the *Constitution Act, 1867* (formerly the *British North America Act, 1867*) and subsequent Acts providing provincial status for Manitoba, Saskatchewan, Alberta, and Newfoundland. These acts reserve to provinces exclusive jurisdiction over education except that the federal government was empowered to protect existing rights of Roman Catholic and Protestant minorities to control their own education. Subsequently, the Canadian *Charter of Rights and Freedoms*, which came into full effect in 1985, provided both French- and English-speaking citizens the right to control their own education in provinces where they are in minority.

These religious and linguistic guarantees have meant that instead of a single public school system, many provinces have two or more. A number of provinces also provide funds to private schools, many of which are religious in character. Provided in Table C2 is a summary of the number and types of school boards (equivalent to U.S. districts) in each province. It should be noted that arrangements to realize Francophone governance of education are still evolving and are the focus of litigation in several provinces (Table C2), so the picture is likely to change. Table C3 also indicates whether public funds are provided to private schools.

One characteristic of Canadian education evident from a review of Table C2 is the variation in its organization from province to province. This is evident in school finance plans, which include foundation plans, guaranteed tax base plans, and full provincial financing. In the overviews that follow, some of the salient characteristics of the various provincial grant plans are described and recent policy debates noted. Following Canadian custom, the province chapters are listed in geographic order. Comments on education finance in the Northwest Territories and the Yukon Territory are included, although their funding arrangements are not described in the formal descriptions of grant plans. The overview concludes with an assessment of current trends in school finance in Canada.

BRITISH COLUMBIA

British Columbia made major changes in its funding of schools in 1990-91, but elements of the program adopted in the early 1980s remain. In response to the fiscal crisis created by the 1981-82 recession that caused a dramatic drop in income from the sale of its natural resources, British Columbia (B.C.) implemented a restraint program changing the method used to finance education. Among major changes in school finance were (1) the shift of the taxation authority of non-residential property from the local level to the provincial level, (2) the introduction of a resource cost model, (3) a system for reviewing wage settlements in the public sector, and (4) the temporary suspension of the right of school boards to levy taxes that raise revenue above the level determined by the province. The province agreed to pay 60% of the cost of education financing itself, share the next 35% (the percentage depending on local wealth as measured by assessment per pupil), and require the local boards to supply the remaining 5%.[1]

The resource cost model adopted by the province was described as a "fiscal framework" which was part of a four-part fiscal management system: (1) the fiscal framework system (acceptable operating budget); (2) the funding system (provincial-local sharing of fiscal framework); (3) the budgeting system (the forms for projected school district costs); and (4) the accounting system (reporting of actual costs). Key elements of the fiscal framework system were retained in 1990-91, but the funding system changed dramatically.[2]

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[1] See *Public School Finance Programs of the United States and Canada* (Blacksburg, VA: The American Education Finance Association and Virginia Polytechnic Institute and State University, 1988). Lawton, Steven B., *The Price of Quality: The Public Finance of Elementary and Secondary Educatio in Canada* (Toronto: Canadian Education Association, 1987), Chapter 5: "Provincial Grant Plans." *The Public Funding of Private Schools in Canada*: CEA Information Note. (Toronto: Canadian Education Association, February 1992). These served as sources for this overview in adition to specific references noted below and the provincial grant descriptions in this volume.

The fiscal framework system itself is based on established service levels describing the inputs or resources needed to cover each function and program recognized. Eight functions describe general school district activities: Instruction K-7, Instruction 8-12, Special Education, District Administration and Instructional Support Services, Operations and Maintenance, Transportation and Housing, Auxiliary Services, Non-Shareable Capital and Capital Debt Service. Programs are a further breakdown of operations within these functional categories (e.g., the category of Instruction K-7 lists the programs of Kindergarten, Program 1-7, Learning Assistance, French Programs, Programme cadre de francais and Library/Resource Centre). There are 78 programs in all.

B.C.'s fiscal framework focuses on pupil-teacher ratios (PTRs) as a key to controlling costs. Between 1976 and 1981, the teacher-student ratio declined from 1:19.14 to 1:17.3, and the average elementary class size from 24.7 to 22.8. One objective of the fiscal framework was to return the PTR to its 1976 level by setting service levels linking the numbers of teachers to the numbers of pupils. As well as raising the PTR overall, this approach provided the opportunity to equalize the PTR among school boards.

In 1986, school districts regained the right to levy additional taxes on residential properties, a privilege that had been suspended in 1982 with the power to tax non-residential properties. Since districts no longer had access to non-residential assessment, they found their taxing powers considerably reduced from what they once were, but quickly reasserted their right to determine their own levels of service. As in the past, expenditure gaps opened up between boards with relatively high assessments per pupil and those with low assessments per pupil. By 1989-90, boards spent an average of 13.9% above the level indicated by the fiscal framework. Then, in 1990-91, as the economy once again entered recession, the provincial government transferred the taxing of residential property to the provincial government, allowing school boards to raise supplemental funds only by referendum. Following recommendations in the Report of the Royal Commission on Education, *Legacy for Learners*, block grants were allocated to boards. For 1990-91, grants were based on actual spending in 1989-90, adjusted to reflect economic and demographic factors. In practice, block funds were determined using a combination of fiscal framework and actual spending patterns, with a plan to bring spending patterns more in line with those indicated by the framework.

ALBERTA

The funding of education in Alberta is shared between the province and local school boards, with attempts through the years to minimize the burden on local taxpayers. Most provincial funds are allocated through the School Foundation Program Fund (SFPF), which operates much as the typical foundation grant plan described earlier. That is, a foundation level is set, a local contribution is determined based upon local wealth, and the local school board is free to raise additional funds. For 1985, 1986, and 1990, the foundation schedule was as follows:

Level	*1985*	*1986*	*1990*
Elementary	$1,776	$1,849	$2,027
Junior High	1,876	1,990	2,180
Senior High	2,104	2,146	$2,351

There are several notable aspects to Alberta school finance. First, the required local levy is assessed on non-residential properties alone; thus, supplementary levies beyond the foundation level are raised from local residential and commercial assessment. Second, to equalize the burden of these additional taxes, a supplementary provincial equalization grant has been provided. In past years, this Supplementary Requisition Equalization Grant (SREG) was calculated as a separate grant, but in 1985 it was combined with grants for small jurisdictions, small schools, location allowances and housing into a single Fiscal Equity Grant. The SREG is now a component of the

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[2] British Columbia Ministry of Education, "New Financial Management Systems," B.C. Ministry of Education, Victoria, B.C., n.d. See also Fleming, J.R., and Anderson, B., "Background Paper: Financial Management of Education in British Columbia" (Victoria, B.C.: Ministry of Education, March 1984). The Report of the Royal Commission on Education, *Legacy for Learners* (Victoria, B.C.: Government of British Columbia, 1988).

Fiscal Equity Grant, and is calculated as if it were a foundation grant. In effect, then, the "real" foundation levels in Alberta higher than those posted in the official schedule.

For special education, an additional annual flat grant of $181 per resident pupil is made. In addition, there is a High Needs School Grant which provides extra assistance to children who are culturally, socially, or economically disadvantaged. It is especially aimed at poorer jurisdictions with high concentrations of disadvantaged pupils so is currently limited to the four school boards in Edmonton and Calgary.

Studies in the late 1970s and early 1980s pointed to a number of problems with school finance in Alberta, including confusion over what constituted a local, as opposed to a provincial, contribution, the inordinately large number of special purpose grants that had developed; the growing burden on local residential taxpayers (a burden near 5% of the total education cost in 1970 but almost 25% in 1980); and the lack of control on education expenditures. Clearly, the Fiscal Equity Grant addressed issues such as the local burden and the complexity of the grant plan, but dependence on the property tax and variation in expenditures among jurisdictions remain. Alberta has depended upon the probity of local trustees to keep costs under control in their bargaining with teachers.

SASKATCHEWAN

Saskatchewan schools are jointly funded by the province and local school boards, with the amount of operating expenditure eligible for provincial assistance referred to as the "total recognized expenditure" (i.e., recognized for grant purposes). The grant plan is a foundation plan in that the amount of grant is the difference between the total recognized expenditure and the local revenue raised by applying a computational mill rate set by the province. The basic rates recognize that expenditure vary by school grade level and type of jurisdiction. For 1990, they were as follows:

Category	*Urban*	*Rural*
Kindergarten	$1,434	$1,513
Division I & II (Gr. 1-6)	2,783	2,920
Division III (Gr. 7-9)	3,021	3,168
Division IV (Gr. 10-12)	3,427	3,583

Grants for regular operating expenditures are adjusted to recognize the extra costs incurred in northern and sparsely settled areas. As well, grants for programs for pupils with special needs are funded under the Special Needs Program Funding (SNPF), which is distinct from the Designated Disabled Pupil Funding (DDPF) for students.

A major initiative introduced in 1985 was the Education Development Fund, set at $13.8 million for 1990-91. These funds are used to support initiatives in learning resources, efficient educational services (especially the use of computers), and program improvements. Although school divisions must apply for these funds in support of specific projects, the funds are allocated to boards equitably. Somewhat more than 50% of the money is allocated using a modified form of equalization while the remainder is allocated on a per-pupil basis.

A major provincial review of school finance and governance was recently completed, but changes in government have slowed the introduction of reforms. A major problem facing Saskatchewan is the decline in rural populations, which makes the provision of all social services more difficult.

MANITOBA

Enhancing Equity in Manitoba Schools, the report of the education finance review undertaken in 1982 and 1983, formed the basis for significant restructuring of school finance in Manitoba that remains relatively intact.[3] Consistent with the report's recommendations, the province moved from the Education Support Program (ESP) of the early 1980s to the Government Support to Education Program (GSEP), designed to provide greater equity and to be more sensitive to variations among school boards (or *divisions*, in Manitoba).

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[3] Nicholls, Glenn, *Enhancing in Manitoba Schools: The Report of the Education Finance Review* (Winnepeg: Manitoba Department of Education, October 1983).

For operating expenses, the GSEP provides four types of grants: block, categorical, equalization support, and guaranteed support. The block grant is a flat grant per weighted pupil. The factors used to weight pupils relate to declining enrollment, economies of scale, geographic location, teachers' qualifications, and teacher experience. The flat grant for 1990 was set at the lesser of $2,280 per weighted pupil or 60% of supportable expenditures.

There are nine categorical grants: transportation, special needs, vocational education, curricular materials, small schools, bilingualism, heritage language, increasing enrollment, and "at risk" students.

The equalization support grant for school division is equal to the difference between "supportable expenditures" and the total of the block and categorical grants, multiplied by a grant equalization factor. The 1990 grant equalization factor is defined as 1 - (School Division MAPP / $136,906). MAPP is the market value assessment per pupil and $136,906 is the highest MAPP in the province excluding two anomalous divisions. The guaranteed support grant ensures no school division receives fewer block and equalization funds from one year to the next.

The province has two sources of revenue to fund its GSEP: its consolidated revenue (e.g., income taxes and sales taxes) and revenue from province-wide property tax levies. Overall, the province contributes about 70% of the education costs in Manitoba.

ONTARIO

Ontario's basic grant plan is a Guaranteed Tax Base Grant Plan, since the provincial in effect guarantees that any two school boards levying the same mill rate on equalized assessment are assured the same total revenue up to a prescribed ceiling. This plan is mathematically equivalent to a capped percentage equalization grant plan, or mill-rate equalization grant plan, but the method of calculating grants has been simplified. The Basic Per-Pupil Grant in 1990-91 is $3,500 per elementary pupil and $4,430 per secondary pupil. The province also provides a number of supplementary grants, some of which are equalized. Many of the supplementary grants that are funded 100% by the province replace funds formerly allocated under a weighted pupil scheme, which had been criticized for its complexity. The replacement grants, referred to Board-Specific Grants, are less complex. Remaining operating grants are referred to as Program-Specific Grants.

To calculate its basic grant, a school board calculates its maximum possible grant, which is equal to the product of the grant ceiling and pupil enrollment plus Board Specific Grants. If it is spending at or above this level, it then calculates its required contribution by applying the provincially set mill rates to its equalized assessed value. Its basic grant is the difference between the two. If a school board is spending below the ceiling, the tax rates and grants are reduced proportionately. For example, a board spending at 90% of its ceiling would set a tax rate equal to 90% of the specified rate and its grant would be 90% of the maximum allowable. In the early 1970s, virtually all Ontario school boards spent below ceilings. Today, few if any remain there, making the Ontario grant plan a foundation plan for the vast majority of school boards. Over-ceiling expenditures are funded entirely by local levies.

Board-Specific Grants, which replaced previously used weighting factors, are measures that reflect special needs beyond the control of the board. The grants are allocated for all pupils, but are linked to data reflecting the numerous factors, including the need for compensatory education, French-as-a-first-language enrollment, northern location, low population density, small schools, and small school boards. A separate qualifications and experience weighting factor is also calculated to recognize the higher cost of mature staff. As well, there is an enrollment adjustment to take into account the effects of declining enrollments.

Program-Specific Grants are generally based on the number of pupils enrolled in specific programs such as French as a second language or reduction in primary class size. These grants are contingent upon local contributions: the local school board must contribute its share as determined by a provincially set mill rate.

Special Education, which had been funded by a separate flat grant, is now included within the Basic Per Pupil Grant. All school boards are required by law to offer all pupils in their jurisdiction an "appropriate" education, and the province has expressed concern that tying funding to program enrollment would encourage the labeling of pupils and the misclassification of pupils into programs where funding is the greatest.

The phase-in of funding high schools operated by Roman Catholic separate school boards, begun in 1985, is nearing completion. Commercial and industrial property assessment, formerly taxed almost exclusively by public boards, is now shared between coterminous public and separate boards. A new school finance problem has arisen with the creation of French-language boards in several areas. An experiment with a mixed public-separate French-language board in Ottawa-Carleton (the national capital area) has been beset with political and economic problems. The public part of the board is currently under receivership and its financial affairs are directed by a provincially appointed trustee. Plans to create more French-language boards may well be contingent on the development of a new funding scheme for education, a concern of both the government-appointed Fair Tax Commission and a Ministerial School Finance Reform Project.

QUEBEC

Between 1980 and 1990, Quebec moved to an increasingly centralized system of financing education. In the mid-1980s, the province funded 92% of the cost of education, negotiating directly with teachers on a province-wide basis, and permitting local taxpayers only a marginal role in financing schools. Initially, the move towards a more centralized system was aimed at achieving equity and at freeing the local property tax base for municipal use. The central authority was used to control the cost of education which was higher per pupil in Quebec than in any other province. Eventually, though, fiscal pressure on the province grew as a result of modest increases in federal transfer payments and recessionary declines in provincial tax revenue. As a result, the trend toward a high provincial share has reversed and the local ratepayer is again being called upon to contribute more to educational costs.

A new method of allocating provincial funds for education was introduced in July 1986 in order to address a number of long-standing problems.[4] Under the new plan, school board expenses were placed into three categories: educational services, administration, and equipment. An overall budget was determined for each, calculated per pupil for the first two categories, and on a space basis (in square meters) for the latter. In addition, 60% of previous supplementary allocations were incorporated into the base allocation, with the remaining 40% allocated toward particular activities in a school board such as religious teaching, experimental teaching, etc. Funds for employment security were allocated on an *a priori* basis, not tied to actual costs. It was expected that the new allocation system would be more equitable, preventing the "over-funding" of some school boards and the "underfunding" of others. At the same time, there would be greater local control over how funds are spent, facilitated by the ability to transfer funds between budget categories.[5]

Upon implementation of this new funding program, school boards continued to be responsible for only 5% of the overall budget, raised through a local property tax. Since even this modest amount was an onerous burden for boards with low assessed valuation per pupil, equalization grants were paid to boards with an assessment per pupil lower than the provincial average. School boards were not allowed to levy a tax greater than 2.5 mills or 6% of the funded level of expenditures unless the levy had been approved by a majority of local resident-electors in a referendum. A court has upheld this requirement.

The Quebec government allocates the educational service grant for three purposes: education of minors, adult education, and vocational training. All allocations are based on enrollment and/or contact-hours, with adjustments. The administrative grant is allocated per capita, using a formula derived from a multiple-regression analysis; the equipment grant (which includes maintenance) is also based on a multiple-regression formula. Supplementary grants are allocated for Christian education and experimental programs and to equalize revenue from the basic levy. That levy is now at 3.5 mills, and data indicate the local share has climbed to 15% of education costs.

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[4] Michaud, Pierre, "Educational Finance in Quebec and New Brunswick: Similarities and Differences," in *The Cost of Costrolling the Costs of Education in Canada* (Toronto: Department of Educational Administration, The Ontario Institute for Studies in Education, August 1983), pp. 49-64. See also, *The Commission on Excellence in Education, Schools for a New Century* (Fredericton, N.B.: The Commission, May 1992).

[5] "Le nouveau mode de financement vise a responsabiliser les administrateurs scolaires." Le Commissaire d'ecoles, Bulletin d'information de la Federation des commissions scolaires catholiques due Quebec, Janvier 1986, pp. 1-3.

One outstanding issue are provincial plans to realign school boards along linguistic (French and English) rather than religious (Roman Catholic and Protestant) lines. Enabling legislation has been adopted but not implemented due to court challenges primarily from Protestant school boards. In Quebec, religious rights in education are protected under the *Constitution Act, 1867*, whereas linguistic rights in education have the weaker protection offered by the *Charter of Rights and Freedoms*, which allows provinces to "opt out" for periods of five years at a time. The Supreme Court of Canada is expected soon to rule on the matter.

NEW BRUNSWICK

In 1967, New Brunswick's school and municipal governments were reorganized under the Program of Equal Opportunity, a major purpose of which was to ensure the same quality of services to all areas in the province.[6] As part of this reform, the provincial government became responsible for 100% of school board expenditures, assumed responsibility for collective negotiations with teachers, and implemented a provincial property tax collected by the Department of Municipal Affairs and credited to the consolidated revenue of the province. In essence, there is no "education" property tax in New Brunswick.

The current allocation of funds to school boards reflects plans initially proposed in 1986-87 and subsequently adopted for the province to move from a system of funding based on historical levels of expenditure to a form of program funding. Particular problems had arisen in the funding of small school boards and small schools, where per-pupil funding practices broke down due to the high fixed costs that exist regardless of the number of pupils enrolled. Additionally, the province planned to restructure secondary education to require more credits for graduation.

Under the new funding program, staffing norms were be established for grades 1 through 9, grades 10 through 12, special education, guidance, school libraries, professional support staff, and administrative staff. Funding is per class, not per pupil. Some flexibility is allowed in the use of resources. All capital, debt, transportation, and physical plant operating costs are fully funded by the province, which exercises a relatively high level of supervision.

Supported by a recent government report on the future of education in New Brunswick, the province adopted recommendations to achieve greater efficiency by consolidating school boards (reducing the total number from 42 to 18), while maintaining French and English boards.

NOVA SCOTIA

The 1981 *Report of the Commission on Public Education Finance* (the Walker Report) signaled major changes in the organization and fiscal structure of education in Nova Scotia. Most of its recommendations were quickly adopted by the government: 85 school boards were consolidated into 21, a mandatory levy was enacted for all property assessment, a foundation plan using weighted pupils as the measure of need was introduced, and the approval of the affected municipalities was required for "optional" levies above foundation program minimum.[7]

Each year, the provincial Formula Review Committee makes recommendations to the government for changes in the formula used and the level of funding. A number of minor modifications have been made in the determination of the foundation level and the programs included within it.

In 1990, the general formula level was set at $2,435 per pupil; weights are given for pupils at different levels of study (e.g., 1.0 for primary grade 6, and 1.2 for grades 7 to 12) and in higher-cost programs (e.g., 2.5 for vocational programs and 1.75 for intermediate industrial and one-year business education programs). Other weighting factors are applied for rurality, size of school board, and average salary in comparison to the district board with the lowest average salary cost. (Salaries are negotiated at the provincial level; the pupil-teacher ratio is not negotiated, provincially or locally). Transportation funding is based upon net projected student transportation expenses estimated from the school's drawing area and the density and distribution of pupils to be served, with the figure capped at 108% of the 1988 actual net operating cost. A property service formula is also applied based upon a rate per square foot plus a rate per pupil-unit. Funds allocated by the three formulas may be used for any purpose and are therefore referred to as "global" funds. Any surpluses from these funds may be retained by the school boards. A supplementary equalization was also offered in 1990-91, but this has been discontinued for 1991-92 due to fiscal constraint.

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[6] The section is based, for the most part, on Michaud, *op. cit.*

[7] For an overview of the impact of the Walker Report, see Richer, Eric W., "Nova Scotia's New Deal in School Finance: The "Walker Report as a Response to a System in Decline," in *The Cost of Controlling the Costs of Education in Canada* (Toronto: Department of Educational Administration, The Ontario Institute for Studies in Education, August 1983), pp. 65-83.

Specific education (or non-global) grants are used for a number of programs. Initially referred to as "the family of five," these programs included special education, driver education, adult education, boarding of pupils and summer school. In 1986, only special education and driver education were funded in this way. Such grants are intended to cover costs and any surpluses is returned to the province; for 1990, funds for summer school, driver education, and student boarding could be treated as global grants. Further, a textbook credit allocation (valued at $36.40 per pupil in 1990) and a capital equipment, repair and renovation grant ($11.55 times the total number of weighted student-units) were made.

The reluctance of municipalities to approve optional levies has meant that Nova Scotia's system of educational finance comes very close to being full provincial funding (assuming one were to treat the municipal mandatory levy as a provincial rather than local tax). In 1990, the province contributed 82% of the total cost of education, the mandatory levy contributed about 12%, optional levies 3%, and miscellaneous revenue 3%. In 1992, Nova Scotia, along with several other Atlantic provinces, enacted legislation controlling the salaries of public employees, including teachers. In this way, increases in the costs of education may be controlled.

PRINCE EDWARD ISLAND

Elementary and secondary education in Prince Edward Island is financed 100% by the provincial government. Although there is a provision for local supplementary levies (requiring the permission of the Minister of Education) this provision has never been used. The collected property tax is considered a provincial tax and is not earmarked for education.

Teachers' salaries are negotiated provincially. Staffing ratios in school districts are determined by formulas, while the overall pupil-teacher ratio is established by the Minister and is not subject to negotiation. Grants to cover operating costs other than teachers' salaries, including such items as supplies, materials, maintenance, and the like, are based upon formulae incorporating pupil population and the size and number of facilities. Transportation is provided to all pupils living one mile or more from their designated school, and the full cost is assumed by the province. To accommodate special education, additional staff are funded above the pupil-teacher ratio; other costs related to special education are included within the formula-based funding. Additional grants may also be allocated to accommodate school boards with schools having fewer than a specified number of pupils per grade and for minority (Francophone) language education. One of the five school boards on the provinces has been designated a French-language board; its jurisdiction has been expanded to cover the whole province.

NEWFOUNDLAND

Approximately 94% of the cost of education in Newfoundland was provided by the provincial government in 1990-91; the government determined the grants to be allocated to school boards through the budgetary process of the legislature rather than the use of a set of formulae. As a rule, though, the province pays 100% of the cost of teachers (whose salaries are negotiated on a provincial basis), 90% of pupil transportation, 100% of the cost of textbooks from kindergarten to grade 8, 50% of the cost of textbooks for grades 9 through 12, and 90% of the cost of approved construction.

Extra staffing is provided to small schools and boards with special education programs, to boards with declining enrollment, and to meet the higher costs in Labrador. Federal funds are applied to French immersion programs, Francophone education, the salaries of French coordinators, and the education of Native students.

The local share of 6% of education costs was raised from poll and property taxes, which were abolished in December 1991. Levies had been set by Local School Tax Authorities rather than school boards or municipal governments. The Local School Tax Authorities raised revenue for boards of all denominations with schools in their areas of jurisdiction. Four denominational school systems provide education: the Integrated Protestant, Roman Catholic, Pentecostal and Seventh Day Adventist. As in other provinces, religious rights in education have constitutional protection, although a recent commission called for a more rational non-denominational system with a school's confessional status being determined at the school rather than system level.[8]

There is no formal mechanism for controlling the costs of education; reliance is placed upon the province's ability to control salaries through direct negotiations with teachers and the number of staff by the determination of pupil-teacher ratios, which is a non-negotiable item. School boards could hire staff above their allocation, but were required to pay their salaries out of local funds. With the abolition of local taxes, this practice is unlikely to continue.

NORTHWEST TERRITORIES

Although not a province and officially administered by the federal government through the office of the Commissioner, the Northwest Territories is similar to a province with responsible government. The schools operate under *The Education Ordinance, 1977*, generally referred to as the *Education Act*, and is passed by the territorial legislature.

Only schools in the territorial capital of Yellowknife are operated by elected public and Roman Catholic separate school boards. Elsewhere, the small populations and vast distances required schools to be operated by the Department of Education of the territorial government. Even in Yellowknife, the Department operates a territorial government high school serving pupils from the local public board and from other parts of the territory. The separate board operates its own high school.

Discussions are underway that may lead to the division of the Northwest Territories into two parts, the eastern section of which would have a predominantly Innuit (Eskimo) population.

YUKON TERRITORY

Comparable to the Northwest Territories, the Yukon Territory operates similarly to the provinces as far as education is concerned. However, unlike the Northwest Territories, there are no school boards in the Yukon and all schools are operated by the territorial government and administered by its Department of Education under the *Education Ordinance, 1974*. The *Ordinance* does make provisions for school boards, but none have formed.

Education is funded fully by the territorial government, which levies a uniform tax across the territory. There is no distinction between Catholic and non-Catholic taxpayers, although a contract with the Corporation of the Diocese of Whitehorse reserves certain powers by the bishop in the staffing of schools formerly operated by the Catholic church.

CONCLUSION

By U.S. standards, the levels of provincial funding reported in Table C1, which average 78%, are very high. With the abolition of local taxes in Newfoundland in 1991, four of Canada's ten provinces fund elementary and secondary education on a provincial basis, a 100% increase from two in 1986-87. Also apparent in a number of the provinces is the strong effort to give meaning to the term "foundation" program: British Columbia, Manitoba, Nova Scotia, Quebec, and New Brunswick have developed explicit formulae that link programs to funding, although all have had to adjust formula levels with supplementary grants to acknowledge historical variations in expenditures. Reflecting the impact of the protection given to minority language education rights in the *Charter of Rights and Freedoms* that came into effect in 1985 is the trend toward the formation of minority language (all French) school boards in Prince

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[8] *Our Children, Our Future: Report of The Royal Commission of Inquiry into the Delivery of Programs and Services in Primary, Elementary, Secondary Education* (St. John's: Government of Newfoundland, March 1992).

Edward Island and Ontario. Other provinces are contemplating similar changes. The consolidation of school boards also seems be occurring more frequently; such action has been taken this year in New Brunswick, and was recommended by commissions in Saskatchewan and Newfoundland. As well, although not reported here, three provinces (British Columbia, Alberta, and Quebec) have adopted legislation promoting the formation of school-level councils, and commissions in other provinces (Newfoundland and New Brunswick) have recommended such action. As well, in 1992, a number of provinces acted to control teachers' salaries by enacting wage controls for public employees (New Brunswick and Nova Scotia).

Other expected trends have not occurred: no additional provinces have moved toward province-wide salary negotiations, in spite of increasingly centralized funding (Saskatchewan, Quebec, New Brunswick, Nova Scotia, and Newfoundland do negotiate salaries province-wide). Similarly, no new provinces have been added to the five that do provide direct funding to private schools: British Columbia, Alberta, Saskatchewan, Manitoba, and Quebec. There is a court case in Ontario on the matter (the lower court decision upheld present arrangements, but the decision is being appealed). Finally, there has been no broadening of the tax base for education at the local level. Unlike the U.S., local taxation for education in Canada, where it exists, is now limited by provincial law to the property tax.

Not reflected, particularly, in these trends is the overall sense of fear in the Canadian public sector. Federal transfer payments, the national equalization scheme to provide all provinces with the resources to provide an average level of public service, are being increased only in line with increases in Gross National Productwhich as been static or in decline for the past two years. Only British Columbia, Alberta, and Ontario are "have" provinces that do not benefit from such payments. In contrast, the four Atlantic provinces depend upon the transfer payments for almost half of their provincial revenues. Notably, three of those four (Nova Scotia is the exception) now fund education 100% out of provincial revenue, assuming one treats the general purpose federal grants as provincial revenue.

For the time being, it appears central control is associated with controlling expenditures and achieving "equity," but there are indications that the "downloading" of fiscal problems from the federal to the provincial level may now be occurring within provinces. Quebec is a case in point: it has moved to increase local contributions for education. On the other hand, as the situation in B.C. illustrates, there may be a cycle from centralization to decentralization and back again associated with the economy. In any case, it is clear that governments at all levels are experiencing fiscal and political pressures to economize and some have ready adopted strong measures in order to control or reduce costs.

Table C1
Basic Support Programs — Provincial Contribution

PROVINCE	TOTAL PROV. FUNDS ($ millions)	PROV. AMT. AS % OF TOTAL EXP.	AID TYPE	UNITS	HIGHLIGHTS OF BASIC SUPPORT PROGRAM	ADJUSTMENT FACTORS TO BASIC FUNDING	DISTRICTS OFF FORMULA
Alberta	1,600	59%	Foundation	Student	Basic Instruction Grant per pupil, $2,027 (elementary), $2,180 (junior high), $2,351 (senior high); Special Education, and additional $181 per pupil.	Fiscal Equity Grant compensates for fiscal capacity, sparsity and distance from major cities.	None
British Columbia	2,670	98%	Block	Program	Block funding (averaging $5,259 per pupil) allocated to boards through district fiscal framework (70 formulae built from service level and cost factors, describe instruction, district administration, operations and maintenance, other services, and transportation and housing) and actual spending patterns. Actual Block Amount ranged from $4,544 to $13,037. Funding to specific boards for regional services including regional correspondence schools, containment centres, regional sites for equipment for handicapped students and Royal Commission implementation.	Annual adjustment to the block for economic indicators, changes in enrolment and other adjustments.	None
Manitoba	740	70%	Foundation	Student	Block support lesser of amount per weighted pupil ($2,280) and percentage supportable expenditures (60%). Weightings for declining enrolment, economies of scale, northern allowance, teachers' qualifications and teachers' years of experience.	Equalization support based on supportable expenditures less categorical and block support multiplied by the equalization factor. Categorical grants include support for small schools inner city.	Two divisions with market value assessment per pupil higher than $139,906
New Brunswick	564	100%	Full Prov. Funding	Staff and Program	School boards receive funding for professional staff based on staffing standards. Allocations for administration, guidance and special education programs, combined classes, libraries, and district staff	DNA	None

(Continued)

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Table C1
Basic Support Programs — Provincial Contribution (Continued)

PROVINCE	TOTAL PROV. FUNDS ($ millions)	PROV. AMT. AS % OF TOTAL EXP.	AID TYPE	UNITS	HIGHLIGHTS OF BASIC SUPPORT PROGRAM	ADJUSTMENT FACTORS TO BASIC FUNDING	DISTRICTS OFF FORMULA
Newfoundland	510	94%	Foundation	Staff and Students	Direct payment by the provincial government of salaries and benefits for teachers and superintendents and full funding of pre-vocational programs, insurance, textbooks (100% for K-8, 50% for 9-12) and Denominational Education Councils Per pupil grants for operating expenditures of $275 per pupil, plus $1,000 per specialist teacher, etc.	Declining enrolment, energy conservation, location in Labrador transportation, number of teachers assigned.	None
Nova Scotia	560	82%	Foundation	Student	Weighted student units multiplied by $2,435 and factors to compensate for high salary costs and Acadian schools, reduced by standardized municipal support of 40¢ per $100 uniform assessment and increased by $400,000 per board management allowance.	Property service grant $160 per weighted student unit plus $1.93 multiplied by approved square footage.	None
Ontario	5,113	45%	Guaranteed Tax Base	Student	Standard mill rate (5.540 mill for elementary and 4.572 mills for secondary) used to support basic per pupil funding levels up to $3500 per elementary pupil and $4,430 per secondary pupil.	Board specific grants for French-as-a-First language, small schools, small boards, small sections, goods and services in remote boards, compensatory education, teachers' qualifications and experience.	Two large urban boards have negative entitlements for basic per pupil grant. Other entitlements, however, currentlyoffset this negativity. In 1990 no school boards were in an overall negative. grant situation.
Prince Edward Island	107	100%	Full Prov. Funding	Pupil	Categories of the foundation program include personnel, administration, maintenance, program, transportation, professional development, capital, bus, debt retirement and minority and second language programs.	DNA	None

(Continued)

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Table C1
Basic Support Programs — Provincial Contribution (Continued)

PROVINCE	TOTAL PROV. FUNDS ($ millions)	PROV. AMT. AS % OF TOTAL EXP.	AID TYPE	UNITS	HIGHLIGHTS OF BASIC SUPPORT PROGRAM	ADJUSTMENT FACTORS TO BASIC FUNDING	DISTRICTS OFF FORMULA
Quebec	5,200	85%	Foundation	Student and Contact hrs.	For minors: number of students x per capita cost of teachers salaries plus number of students x per capita other expenses plus other amounts. For adults: number of students transformed into class-hours and multiplied by rates for human resources, materials and support. Basic allocation for vocational training is the number of FTE x (cost per pupil of teacher salaries plus cost per pupil for applicable support services and resource materials). Basic allocations also for administration, equipment, supplementary grants.	Supplementary grants for specific activities, equalization subsidy for boards with potential tax yield less than the maximum yield based upon a per capita allocation applied to the weighted number of regular students.	None
Saskatchewan	446	50%	Foundation	Student	Grant = recognized expenditures minus recognized revenues. Per pupil rate $1,513 (Kindergarten) $2,920 (Divisions 1 & 2) $3,168 (Division 3) $3,583 (Division 4)	Adjustments for declining enrolment, sparsity, small schools, increased enrolments and continuous enrollment increases.	Two divisions with ability to generate local revenues though property taxin excess of expenditures recognized in the formula.

Table C2
Local Finance Information

PROVINCE	NUMBER OF SCHOOL DISTRICTS	FISCALLY INDEPENDENT	TYPE OF PROGRAM	LOCAL CONTRIBUTION	BASIS FOR DETERMINING LOCAL CAPACITY FOR BASIC SUPPORT FORMULA PURPOSES	PROVINCIAL REVENUE EARMARKED FOR EDUCATION	PENDING COURT CASE
Alberta	139	Yes (but unused provincial power)	Foundation	Yield from chosen mill rate on all property	Equalized assessed property per pupil.	School Foundation Program Fund levy on non-residential property, farmland excluded.	Yes; concerns rights of francophones to control their own education as guaranteed in the *Charter of Rights and Freedoms* adopted with the 1982 patrician of the Canadian *Constitution*.
School Divisions	31						
Counties	30						
Public school districts	28						
Roman Catholic Separate school districts	44						
Other districts	6						
British Columbia	75	No	Block	None for basic program. Property tax is provincial.	Does not apply (DNA).	Property taxes for schools collected by the province.	No
Manitoba	53	Yes	Foundation	Local property taxation based on a provincially set mill rate.	Equalization support calculated on the basis of market value assessment per pupil	Educational Support Levy on residential and commercial property, farmland and outbuildings excluded.	No
New Brunswick	42	No	Full Prov. Funding	None for basic funding program. Property tax is a provincial tax.	DNA	None	No
Francophone	15						
Anglophone	27						
Newfoundland	27	No	Foundation	None for basic funding program.	DNA	None	No
Integrated Protestant	16						
Roman Catholic	9						
Pentecostal	1						
Seventh Day Adventist	1						
Nova Scotia	21	No	Foundation	Mandatory education tax provincially determined must be paid by municipal councils to district school boards.	Mandatory tax rate set by provincial government on uniform property assessment 40¢ per $100 of assessment	None	No

(Continued)

Table C2
Local Finance Information (Continued)

PROVINCE	NUMBER OF SCHOOL DISTRICTS	FISCALLY INDEPENDENT	TYPE OF PROGRAM	LOCAL CONTRIBUTION	BASIS FOR DETERMINING LOCAL CAPACITY FOR BASIC SUPPORT FORMULA PURPOSES	PROVINCIAL REVENUE EARMARKED FOR EDUCATION	PENDING COURT CASE
Ontario	170	Yes	Guaranteed Tax Base	Provincially determined mill rate for all property.	The rate of grant determined by board's equalized assessment wealth per pupil	None	Yes; Jewish Board of Education, a private school board, has sued for funding under the *Charter of Rights and Freedoms* which guarantees equal benefits under the law. They seek funding comparable to that received by Roman Catholicseparate boards. A lower court decision against their position is being appealed. A court case is also pending in regards to francophone education, challenging the system of francophone "sections" in anglophone boards.
Public	111						
Anglophone	109						
Francophone	1						
Roman Catholic separate	58						
Anglophone	57						
Francophone	1						
Protestant separate	1						
Prince Edward Island	5	No	Full Prov. Funding	None for basic program. Property tax is provincial.	DNA	None	No
Anglophone	4						
Francophone	1						
Quebec	202	No	Foundation	Local property tax up to 3.5 mills. Referendum required for higher rate.	Equalized assessment per pupil	None	Yes; formation and funding of school board along linguistic (French & English) rather than religious lines(Roman Catholic & Protestant) has been passed into law, but implementation awaits a decision on the matter by the Supreme Court of Canada. The provincial government attempts to override religious division protected in the Canadian *Constitution* is being challenged by anglophone dominated Protestant boards that fear linguistic rights under the *Charter of Rights and Freedoms* are weaker rights to religious education rights guaranteed by the *Constitution*.
Catholic	170						
Protestant	29						
Multi-confessional	3						
Saskatchewan	115	Yes	Foundation	Local taxation on residential and non-residential property based on a provincially set contribution.	Rate of grant determined by board's equalized assessment per pupil	None	No
Public	93						
Catholic	22						

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Table C3
Selected Categorical Programs

PROVINCE	COMPENSATORY EDUCATION	GIFTED AND TALENTED	BILINGUAL[a] EDUCATION	FOR PRE-K EDUCATION	PRIVATE SCHOOLS EDUCATION
Alberta	Yes	Yes	Yes	Yes	Yes
British Columbia	No	Yes[b]	Yes	No	Yes
Manitoba	Yes	No	Yes	No	Yes
New Brunswick	No	No	Yes	No	No
Newfoundland	No	No	Yes	No	No
Nova Scotia	No	No	Yes	No	No
Ontario	Yes	Yes[b]	Yes	Yes	No
Prince Edward Island	No	Yes[b]	Yes	No	No
Quebec	?	?	Yes	Yes	Yes
Saskatchewan	Yes	Yes	Yes	No	Yes
Total Provinces	3	5	10	3	5

[a] Bilingual education, for Canadian purposes, is interpreted to include education of linguistic minorities (French or English), Native Indian and Innuit languages, and heritage language of immigrant peoples.

[b] Included within block grant.

Table C4
Transportation Programs

PROVINCE	TOTAL PROVINCIAL FUNDS ($ millions)	AMOUNT AS % OF PROV. AID	PRIMARY TRANSPORTATION PROGRAM
Alberta	NA	NA	Three tier system: rural (per bus), rural (per pupil), and disabled students (per pupil).
British Columbia	NA	NA	Included in block funding.
Manitoba	28.3	2.8%	$410 per pupil transported plus amounts related to distance traveled.
New Brunswick	NA	NA	100% provincial grant based on historical expenditures.
Newfoundland	28.1	5.5%	90% for board operated transportation and 100% for contracted services.
Nova Scotia	NA	NA	100% for provincially approved transportation; 0% for unapproved.
Ontario	396.0	7.3%	Formula based on number of buses, kilometres traveled and occupancy ratios. Expenditures to $414/p shared at 75% rate; over $414 at a 95% rate. (Note: beginning in 1991 a new density band formula will be used).
Prince Edward Island	8.6	8.1%	100% grant; transportation may be provided all students living 1 mile or more from school.
Quebec	$371.4	DN.A	Transportation of students is provided by the Ministry of Transportation.
Saskatchewan	NA	NA	Three tier formula: rural, urban, rural and special education. Formulas are a combination of fixed per pupil plus amount per kilometer with maximum levels recognized for funding.

ALABAMA

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I. GENERAL BACKGROUND

State

- State support is provided to local boards via 2 broad appropriation categories, the Minimum Program Fund and the Financial Assistance Program (Act 91-732 of the Alabama Legislature). These are supported by earmarked taxes going directly into the Alabama Special Educational Trust Fund. Within the Minimum Program Fund is a deduction from the Alabama Special Educational Trust Fund liability of $65 million in 1990-91 which is provided by a statewide ad valorem tax, referred to as the Public School Fund.

- The single most significant change in the Minimum Program Fund, other than continuing increases in the allocation factor amounts, is the reduction in the average daily attendance divisor, utilized in the allocation of teacher units, from 28, in use since 1939, to a range of 17-26. This change was initiated in FY 1988-89 by Act 87-665 of the Alabama Legislature and will be fully implemented, if funding by the Legislature of state appropriations continues, in FY 1999-2000. The basic Minimum Program Fund formula ("Code of Alabama, 1975," Scn. 16-13-50 through Scn. 16-13-59) has remained virtually unchanged, except in allocation amounts and the ADA divisor, since its inception in the late 1930s. Local revenue is not limited, guaranteed, or power-equalized by any of the modern allocation formulae.

- The Financial Assistance Program consists of 25 categorical aid items appropriated by the Legislature and distributed to Local Education Authorities (LEA's) by the Alabama State Board of Education, mainly on the basis of average daily attendance. It has grown in the number of line items (programs) and in allocation factor amounts as the Legislature has deemed necessary over the years since 1979, first appearing in Act 79-458. These items had traditionally been separate line items of the appropriations acts. (Source: Act 79-458 and Act 91-732.)

- Alabama has had litigation pending on the financial system. Plaintiffs, an association of poor rural school districts, have filed suit contending that Alabama's distribution formula does not address local abilities to raise taxes and therefore discriminates in its distribution. Trial date is set for August 1992.

Local

- There are 129 LEA's, referred to as city and county boards of education, that are eligible for participation in the Minimum Program Fund and Financial Assistance Program. Local boards have no taxing authority and are thus dependent on city, county, and state governing bodies in addition to the electorate for revenue generation. Additionally, the Department of Youth Services (juvenile detention) and the Institute for Deaf & Blind receive state support for K-12 education, both in the above-referenced programs and by specific line item appropriations of the Alabama Special Educational Trust Fund. These boards are independent in some respects and come under the purview of the state board in others. In theory, the line of operational control is the traditional one of Legislature, state board, local board, with the local board addressing such policy provisions that are not already legislated or that have not been resolved at the state level. In practice however, local superintendents exercise much leeway in establishing local operational procedures.

- LEA's use several revenue sources to support public education. The most common are: ad valorem property tax (51%), sales tax (20%), city and/or county commission appropriations (7%), alcohol tax (in wet counties only — 2%), payments on behalf of schools (3%), interest and income (4%), and several other sources (13%).

Funding Summary, 1990-91

Total State School Aid (All Programs)		$1,488 million
Grants in Aid	1,246 million	
Teacher Retirement Contributions	117 million	
FICA	125 million	
Total Local School Tax Revenue		600 million
Total Combined State and Local School Revenue		2,088 million
State Financed Property Tax Credits Attributable to School Taxes	NA	

The above financial data were taken from the Alabama Special Educational Trust Fund appropriations (Act 91-732) and the LEA's budgets for FY 1990-91. At the time of this writing, end of year financial statements were not complete and are not expected for some time since all state appropriations, due to a significant shortfall of revenue receipts compared to estimated projections, were prorated by 6.5%. Alabama law precludes appropriations in excess of state revenue collections in any fiscal year ("Code of Alabama, 1975," Scn. 41-4-90). Thus, an adjusted estimate of state appropriations to be reflected in financial statements may be more closely represented as follows (Author's estimates):

Funding Summary, 1990-91
(State Revenue Prorated @ 6.5%)

Total State School Aid (All Programs)		$1,398 million
Grants in Aid	1,164 million	
Teacher Retirement Contributions (not prorated)	117 million	
FICA	117 million	
Total Local School Tax Revenue		600 million
Total Combined State and Local School Revenue		1,998 million
State Financed Property Tax Credits Attributable to School Taxes	NA	

Prorated amounts will be reported for each of the aid programs discussed below unless otherwise noted.

II. THE BASIC SUPPORT PROGRAM

Minimum Program Fund

Funding in 1990-91: $564.4 million (40.4% of total state school aid)

Nature of Program: The Minimum Program Fund (MPF) is Alabama's basic foundation for the allocation of state-appropriated funds to local boards ("Code of Alabama, 1975," Scn. 16-13-50 to 16-13-59).

Units: Teacher units.

Local Fiscal Capacity: Average Index of Economic Ability. The average index of economic ability is the average of the assessed valuation index and the economic index of financial ability.

The assessed valuation index is the ratio of a local board's assessed property valuation to the statewide total assessed property valuation. Therefore, it is a board's percentage of the current total assessed property valuation of the state.

The economic index of financial ability is the ratio of a board's weighted revenue valuation to the statewide weighted revenue valuation. It is a board's percentage of the statewide total weighted revenue. The economic index of financial ability is calculated by weighting 6 separate revenue indices and calculating the weighted average. The indices and associated weights are established as follows:

Revenue Indices	*Weight*
Sales Tax	6.0
Automobile License	5.0
Assessed Valuation (utilities)	3.0
Personal Income Tax	1.0
Manufacturing Value Added	1.0
Farm Income Value	1.0

How Formula Operates: The MPF consists of allocations for teacher salaries and principal supplements, transportation, other current expenses, capital outlay (minimal allocations), and a local effort charge-back which determines local wealth via an average index of economic ability. The costs associated with each of these categories are set out by the Legislature in appropriations of the Alabama Special Educational Trust Fund (Act 91-732). The Public School Fund serves to distribute 3 mills of statewide ad valorem revenue receipts on the basis of need (per-student basis) and to reduce the Alabama Special Educational Trust Fund liability for Minimum Program Allocations.

1. Teacher Salaries. Teacher salary allocations for 5 different ranks of certification are set out in the appropriations act. In FY 1990-91, the ranks of certificates (and corresponding degrees) were: AA-$26,485 (MA+30), I-$24,798 (MA), II-$22,591 (BA), III-$18,179 (emergency, no degree), and IV-$15,787 (defense, no degree). (Source: Act 91-732). In determining the actual allocations, the average daily attendance of each grade, after deducting special education ADA, is divided by the appropriate factor to determine the number of teacher units allowed. Then, with the most costly certificates (highest ranks) being funded first at each board, allocations are made until all teacher unit earnings are distributed. The average daily attendance divisor was 28 for all grades from 1939 until a schedule of divisors was legislated by Act 87-665 as follows:

Year	*Grade*	*Divisor*
'88-9	K	7.0
'90-1	1	17.0
'92-3	2	17.0
'94-5	3	17.0
'96-7	4	17.0
'97-8	5-6	24.0
'98-9	7-8	24.0
'99-2000	9-12	26.0

   The above schedule will increase the number of teacher units allocated to local boards through FY 1999-2000. As the divisor for each grade K-4 is reduced, these academic classrooms shall have a maximum class size of 25 pupils. No class size limits exist for grades 5-12.

2. Principal Supplements. Allocations for principal supplements are distributed to LEA's at the rate of $100 for each earned teacher unit. These are considered salary allocations. Salary allocations and principal supplements for certificated personnel from the state are required to be expended for certificated personnel salaries at the local boards; however, the establishment of salary schedules and actual salaries paid to employees remain the prerogative of the local board.

3. Transportation. Transportation allocations under the Minimum Program Fund are related to the density of transported students residing 2 or more miles from school sites and to the actual daily costs incurred in the prior school year. Densities (number of transported students per net square mile of the school district) from each board are plotted along the abscissa of a graph; incurred costs are plotted along the ordinate. A curve of best fit is established

for the plotted points. Each board's allocation is then determined by finding its density on the graph and multiplying the cost associated with that density, as determined by the best fitting curve, by the average daily attendance of transported students and by the number of transportation days. State allocations for transportation are traditionally underfunded; thus, transportation allocations are prorated by the ratio of the legislated appropriation to the total allowed cost. Since the original appropriation of $59.3 million was prorated by 6.5% at the state level, only $55.4 million was available for allocation. The total allowable cost under the Minimum Program Fund calculations was $81.4 million. Thus each local board's allocation was actually 68% of the calculated cost in FY 1990-91.

4. Capital Outlay. Minimum Program Fund allocations for capital outlay are determined by multiplying the legislated factor, $58.50 (Act 91-732), by the number of earned teacher units at each local board. The total statewide allocation for FY 1990-91 was $1.4 million. After proration of 6.5%, this allocation was $1.3 million.

5. Other Current Expense. Minimum Program Fund allocations for other current expenses are determined by multiplying the legislated factor, $4,548.37 (Act 91-732), by the number of earned teacher units at each local board. The total statewide allocation for FY 1990-91 was $107.6 million; proration at 6.5% resulted in a total allocation of $100.6 million.

State Share: The state share of the MPF is equal to the calculated program costs minus the required local share. Receipts from the Public School Fund are distributed on a per student basis to reduce the Alabama Special Education Trust Fund liability generated by MPF calculations

The schedule of payments for state aid disbursements to LEA's is made on a monthly basis. Payments are limited to 1/12 of the total appropriation and available funds in the Special Education Trust Fund Revenue Accounts. Payments are made at the beginning of each month.

Local Share: The Minimum Program Fund requires a statewide total of $4.7 million in local support. The $4.7 million is a fixed amount which is equal to 0.5% of the total assessed property valuation of the state in 1938. This charge-back is assessed at local boards via the average index of economic ability. Each county's share of the total local support is calculated by multiplying the county's average index of economic ability times $4.7 million.

City boards within each county also receive state allocations from the Minimum Program Fund. In determining a city's share of the required local effort, current expense ratios are calculated for all boards in each county that contain city boards. The Minimum Program Fund allocations of salary, transportation and other current expense are totaled, and the ratio of each board's sum of these factors to the total within that county is applied to that county's charge-back in assessing these boards for required local effort.

The Minimum Program Fund also requires a local board to raise the equivalent of 10 mills of local ad valorem revenue. In practice, most local boards' receipts far exceed the required minimum while still being relatively low in their local percentage of total support.

Weighting by Grade Level: A "weighting" by grade level has been achieved by Act 87-655 which will allocate a greater number of teacher units to elementary grades through FY 1999-2000.

Adjustments for Special Factors: Growth. Alabama law provides for "current units." These are additional allocations to LEA's as a result of increases in average daily attendance during the current fiscal year.

There are no save-harmless provisions codified in Alabama law. However, the reduction of enrollment is protected for 1 year. Since minimum program allocations and many of those of the financial assistance program are made on the basis of the average daily attendance during the first 4 months of the prior fiscal year, local boards are thus alerted 1 year in advance of decreasing aid. Although the terminology "save-harmless" is not included in the law, local boards' losses are delayed by 1 year while increases are granted currently.

Districts Off Formula: None.

Public School Fund

Funding in 1990-91: $65.0 million (4.6% of total state school aid)

Description: The Public School Fund (PSF) is a subset of, and wholly contained within the MPF and represents support to the MPF. For purposes of this document, however, the PSF is discussed separately.

The Public School Fund is a statewide 3 mill ad valorem revenue measure (Constitution of Alabama, 1901, Scn. 260). It is distributed to local boards on the basis of the school census. The total of Alabama's students are divided into the total Public School Fund receipts to determine the allocation per student. That figure is then multiplied by the number of students at each board. The result is each board's reduction in the Alabama Special Educational Trust Fund liability created by allowed costs of the Minimum Program Fund. This amount is distributed to the boards from the Public School Fund receipts. This is a separate fund from the Alabama Special Educational Trust Fund and is not prorated.

Extent of Participation: All 129 boards.

Financial Assistance Program

Funding in 1990-91: $652.0 million (46.6% of total state school aid)

Description: The Financial Assistance Program consists of 25 separate line items that are funded by the appropriations act each year. The total appropriation for these categorical aid items was $697.4 million in FY 1990-91. After being prorated at 6.5% the allocation totaled $652.0 million. These items with the appropriations and prorated allocations are as follows:

Item	*Appropriation ($millions)*	*Prorated Allocation ($millions)*
Teacher Sick Leave	4.9	4.6
Support Personnel Sick Leave	2.1	2.0
Teacher Personal Leave	1.9	1.7
Support Personnel Personal Leave	0.5	0.4
Instructional Supplies	22.7	21.3
Kindergarten Instructional Supplies	1.1	1.1
Maintenance	9.4	8.8
Special Education (continuing)	28.1	26.3
Special School for Special Education	5.9	5.5
Kindergarten Teacher Units	86.0	80.4
Grade 2-6 Teacher Units	15.3	14.3
Support Teacher Units	52.6	49.2
Special Education Teacher Units	105.0	98.2
Driver Education Teacher Units	8.3	7.8
Vocational Education	86.6	80.9
Teacher Aides	4.1	3.8
Tenured Teacher Salary Increase	80.3	75.0
Support Personnel Salary Increase	30.9	28.8
Library Enhancement	4.9	4.6
Guidance Counsellor Teacher Unit	9.3	8.7
Local Teacher Salary Increase	7.9	7.4
Social Security	125.4	117.3
Vocational Education Equipment	4.2	3.9

Extent of Participation: All 129 boards

Several of these items will be discussed fully in Section X of this report. Others are discussed as follows:

III. TRANSPORTATION

Funding in 1990-91: $55.4 million (4.0% of total state school aid)
(Included in the MPF funding amount).

The transportation allocation to local boards is discussed in Section II, Basic Support Program, as part of Alabama's Minimum Program Fund.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Alabama's Minimum Program Fund provides for capital outlay allocations to LEA's; however, this is underfunded for any practical application other than as a supplement to other capital outlay endeavors. (See Section II for clarification of the local board allocations.) With 129 local boards operating in Alabama, the Minimum Program Fund allocations for capital outlay are insufficient to provide for plant acquisitions. Thus, capital expenditures are funded by state bond issues that traditionally range from $80 to $300 million. These issues are created from time to time as needs become identified and revenues of the Alabama Special Educational Trust Fund become available. These are appropriated by the Legislature and are generally distributed to elementary, secondary, post-secondary (junior colleges), and universities on such formulae as deemed appropriate. Additionally, local boards, through the legislative process, may obtain construction monies via local bond issues and warrants which are amortized by receipts of local revenue issues. ("Code of Alabama, 1975," Scn. 16-19-9 through 16-19-8).

V. TEACHER RETIREMENT

Funding in 1990-91: Retirement: $117 million (8.4% of total state school aid)
FICA: $117.3 million (8.4% of total state school aid)
(FICA amount is included in Financial Assistance Program amounts in section II.)

Description: Retirement contributions are provided by employers at the rate of 6.35% of salary and by employees at 5% of salary. The employers' contribution is provided by line appropriation of the Legislature at an estimated figure which is annually determined by the actuary. This item is not proratable and thus FY 1990-91 was funded in full. Although the retirement system has the ability to receive excess allocations from the Alabama Special Educational Trust Fund in any fiscal year that the appropriation is insufficient to cover the required contribution as determined by the actuary, in practice this is accomplished by increases in the employer contribution factor in the succeeding fiscal year (Act 91-732). State allocations for retirement, employer's contributions, are paid directly to the retirement system. Local boards provide employee's contributions on a monthly basis.

Extent of Participation: All 129 boards.

Social Security

Description: The appropriation of $125.4 million, prorated to $117.3 million, is allocated to local boards on the basis of actual Social Security employer matching amounts paid and/or accrued for FY 1990-91. (Act 91-732).

Extent of Participation: All 129 boards.

VI. SPECIAL EDUCATION

The state provides 3 categorical aids under the Financial Assistance Program in support of special education (Act 91-732). (See Section II for more information.)

Special Education Teacher Units

Funding in 1990-91: $98.2 million (7.0% of total state school aid)

Description: Alabama allocates 3,600 special education teacher units under this line item. Until recent years past, fewer units (3,200) were allocated on the basis of total enrollment at each local board (S.D.E. Resolutions, Apportionment of Funds, Chapter 290-020-010). After "Child Find," a special education "Census," new units are now allocated on the basis of weighted special education enrollment with prior allocations continuing at prior levels. All special education teacher units carry the same salary, other current expense, and capital outlay allocation factors as those contained in the Minimum Program Fund. Special education transportation at local boards is supplemented with a statewide allocation.

Extent of Participation: All 129 boards.

Special Education, Continuation of Previously Granted Funds

Funding in 1990-91: $26.3 million (1.9% of total state school aid)

Description: In years past, Alabama initiated special education with an appropriation to local boards on the basis of average daily attendance. Those appropriations continue to be funded.

Extent of Participation: All 129 boards.

Special Schools for Special Education

Funding in 1990-91: $5.5 million (less than 1.0% of total state school aid)

Description: This line item of the Financial Assistance Program appropriations is distributed to named private schools conducting special education.

Extent of Participation: All 129 boards.

VII. COMPENSATORY EDUCATION

Alabama has no compensatory education program funded by state appropriations. However, the National Education Association sponsors through its state affiliate, the Alabama Education Association, several grants and seed-fund programs at the local level for development of learning laboratories, and other innovative programs. These opportunity school grants target slow learners and provide for remedial education program development.

VIII. GIFTED AND TALENTED EDUCATION

Alabama's special education programs include gifted and talented education programs. These are funded within the special education line items of the Financial Assistance Program discussed in Section VI. (Act 79-106 and Act 91-732.)

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

This section discusses those remaining categorical aids presented under the Financial Assistance Program in Section II which were not discussed in Section VI.

Teacher Sick Leave

Funding in 1990-91: $4.6 million (less than 1.0% of total state school aid)

Description: The FY 1990-91 legislated factor of $20.50 per teacher per day for sick leave (allocated as reimbursement for hiring substitute teachers) carried the stipulation that local supplements to salaries of substitute teachers in FY 1989-90 were to remain in place in FY 1990-91 at each local board. (Act 91-732).

Support Personnel Sick Leave

Funding in 1990-91: $2.0 million (less than 1.0% of total state school aid)

Description: State allocations for sick leave for support personnel are handled similarly to reimbursements for hiring substitute teachers. Local boards are eligible for these reimbursements up to but not exceeding actual salaries paid and proportional state allocations. The legislated factor for support personnel sick leave was $17.00 per employee per day. (Act 91-732.)

Teacher Personal Leave

Funding in 1990-91: $1.7 million (less than 1.0% of total state school aid)

Description: State law allows up to 5 days per year per certificated employee for personal leave. Two days are state funded and the remaining 3 days are optional and established by local board policy. The legislated funding factor is $20.50 per day for the employment of substitute teachers. (Act 91-732.)

Support Personnel Personal Leave

Funding in 1990-91: $0.4 million (less than 1.0% of total state school aid)

Description: Personal leave for support personnel is similar to that for certificated employees. The factor is $17.00 per day for the employment of substitute support personnel. (Act 91-732.)

Instructional Supplies

Funding in 1990-91: $21.3 million (1.5% of total state school aid)

Description: Each school site is to receive $540 for each certificated employee at that site. Employees are to establish a budget via secret ballot for the expenditure of these funds provided no employee shall lose personal control of more than one-half of allocations for joint purchases without having signed a waiver releasing greater than one-half. The local board is to administer these expenditures. The appropriation of $22.7 million was prorated at 6.5% to an allocation of $21.3 million in FY 1990-91. (Act 91-732, and "Code of Alabama, 1975," Scn. 16-13-13.)

Kindergarten Instructional Supplies

Funding in 1990-91: $1.1 million (less than 1.0% of total state school aid)

Description: Funding for this item represents a double allocation for kindergarten teachers. Alabama textbook law does not provide free textbooks in kindergarten; thus, this additional funding for instructional supplies will provide for this discrepancy. The appropriation of slightly over $1.1 million in FY 1990-91 was prorated at 6.5% to just under $1.1 million. (Act 91-732.)

Maintenance

Funding in 1990-91: $8.8 million (less than 1.0% of total state school aid)

Description: Distributed to local boards on the basis of teacher unit earnings under the Minimum Program Fund, this item is to provide some state support for maintenance requirements at LEA's. (Act 91-732.)

Kindergarten Teacher Units

Funding in 1990-91: $80.4 million (5.8% of total state school aid)

Description: A total of 3,083 kindergarten teacher units are provided to local boards on the basis of one teacher unit for each 17 students in average daily attendance during the first four months of the prior scholastic year. Salary, other current expenses, and capital outlay allocations are provided at the same rate as those included in the Minimum Program Fund allocations. The total appropriation of $86 million was prorated at 6.5% in FY 1990-91 resulting in total allocations of $80.4 million. (Act 91-732.)

Grade 2-6 Teacher Units

Funding in 1990-91: $14.3 million (1.0% of total state school aid)

Description: The appropriations act for FY 1990-91 contained $15.3 million for 538 teacher units to reduce the student-teacher ratio in grades 2 through 6, prorated to $14.3 million. Salary, other current expense and capital outlay factors are provided at the same rate as those included in the Minimum Program allocations. (Act 91-732.)

Support Teacher Units

Funding in 1990-91: $49.2 million (3.5% of total state school aid)

Description: Support teacher units are provided at the rate of 1 for each 15 teacher units allocated under the Minimum Program Fund, and one for each 15 units allocated in grades K-6. In FY 1990-91, 1,819 units were provided by this line item, at an appropriation of $52.6 million, prorated at 6.5% to $49.6 million. Salary, other current expenses, and capital outlay factors are provided at the same rate as those included in the Minimum Program Fund allocations. (Act 91-732.)

Driver Education Teacher Units

Funding in 1990-91: $7.8 million (less than 1.0% of total state school aid)

Description: Salary, other current expenses, and capital outlay allocations are provided at the same rate as included in the Minimum Program Fund to local boards for 290 driver education teacher units. The appropriation of $8.3 million was prorated at 6.5% in FY 1990-91 to a total allocation of $7.8 million. (Act 91-732.)

Vocational Education

Funding in 1990-91: $80.9 million (5.8% of total state school aid)

Description: The appropriation for vocational education was $86.6 million for FY 1990-91, prorated at 6.5% to a total statewide allocation $80.9 million. These funds are allocated to local boards of education on a formula established by the State Department of Education which takes into account experience, requested units, a "set aside" for operations, a "set aside" for handicapped students, a "set aside" for adult training, a "set aside" for student-apprenticeship linkages, and priority for new area vocational education centers, etc. (Act 91-732.)

Teacher Aides

Funding in 1990-91: $3.8 million (less than 1.0% of total state school aid)

Description: Each teacher employed should have a minimum of thirty consecutive minutes of time free from instructional or supervisory responsibility each teaching day. To support this, an appropriation of $4.1 million, prorated at 6.5% in FY 1990-91 to a total statewide allocation of $3.8 million, is provided for the employment of teacher aides. The allocation is based on average daily attendance during the first 4 scholastic months of the prior scholastic year. (Act 91-732.)

Tenured Teacher Salary Increase

Funding in 1990-91: $75.0 million (5.4% of total state school aid)

Description: In FY 1985-86 the Legislature appropriated funds and mandated a statewide Career Ladder salary increase of 10% for all tenured certificated personnel. These increases are also for those certificated personnel that do not hold tenure but do have 5 years of public school teaching experience, in or out of state. This line item appropriation is made to continue these salary increases mandated by this legislation for all teacher units. In FY 1990-91 the total appropriation of $7.9 million was prorated to $7.4 million. The funds are allocated to local boards for 180-day contracts on the basis of the actual teachers employed, their ranks of certificate held, and their tenure or experience status. The 10% allocations are factored on the salary allocations of the Minimum Program Fund and Financial Assistance Program and continue to become available to certificated personnel as they gain tenure or the required experience. (Act 91-732.)

Library Enhancement

Funding in 1990-91: $4.6 million (less than 1.0% of total state school aid)

Description: Funds for the purchases of computer software, books and equipment used in local boards' libraries are appropriated from time to time as needs arise. The FY 1990-91 amount of $4.9 million was prorated to $4.6 million. These funds are allocated on the basis of student enrollment during the prior year's first 4 scholastic months. (Act 91-732.)

Guidance Counselor Teacher Units

Funding in 1990-91: $8.7 million (less than 1.0% of total state school aid)

Description: This line item was initiated in the FY 1990-91 appropriation act. It provided that this appropriation should not be used at local boards to supplant funding for existing counselors employed; but rather, these funds were to be used to hire additional counselors in the elementary schools. A total of 317 units were funded by the $9.3 million appropriation which was prorated at 6.5% to an allocation of $8.7 million. Salary, other current expenses, and capital outlay allocations are provided at the same level as contained in the Minimum Program Fund. The funds are allocated on the basis of average daily attendance of students in grades 1-6 during the first 4 months of the prior scholastic year. (Act 91-732.)

Local Teacher Salary Increases

Funding in 1990-91: $7.4 million (less than 1.0% of total state school aid)

Description: This appropriation of $7.9 million, prorated in FY 1990-91 to an allocation of $7.4 million, is allocated to local boards for the payment of salary increases mandated by the Legislature for certificated teachers employed with other-than-state funds. The allocations are made pro rata on the basis of the number of teachers employed. (Act 91-732.)

Vocational Education Equipment

Funding in 1990-91: $3.9 million (less than 1.0% of total state school aid)

Description: Funds for vocational equipment acquisitions are allocated to local boards on the basis of state-funded vocational teacher units allocated. The appropriation of $4.2 million was prorated at 6.5% in FY 1990-91 to 3.9 million. (Act 91-732.)

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Alabama provides no categorical aid for K-12 private schools. However, several private special education facilities are listed and funded by line item appropriation of the Financial Assistance Program; see Section VI, Special Schools for Special Education. (Act 91-732).

XII. PREKINDERGARTEN EDUCATION

None.

XIII. LOCAL SCHOOL REVENUE

Local revenues consist of several major tax items among a variety of options. Alabama's Minimum Program Fund (funding formula) requires that 10 mills of ad valorem or its equivalent must be raised locally. This requirement is also contained in Alabama's constitution. The penalty for not meeting this minimum revenue generation would be assessed by subtracting the amount of shortfall from the calculated Minimum Program Fund allowed cost. Thus, a penalized board would pay twice for not collecting the equivalent of 10 mills of ad valorem tax; once for not collecting it, and again by having its state allocations reduced by an equal amount. Actually, all Alabama local boards collect in excess of the equivalent 10 mill requirement. ("L.E.A. Financial Status Report," by the Alabama State Department of Education, March 7, 1991, and "A Legislator's Guide to Alabama's Taxes," by the Legislative Fiscal Office, January, 1991, and an interview with Alabama State Department of Education personnel, 11/91).

Additionally, the Minimum Program Fund includes a charge-back feature as discussed in Section II, Basic Support Program above. Not a revenue generator, it does require local revenue to fully fund allowed Minimum Program Fund costs.

Statewide ad valorem in support of K-12 education consists of the 3 mill Public School Fund which is, effectively, a reduction of the Alabama Special Educational Trust Fund liability generated by allowed costs of the Minimum Program Fund. However, a provision in the state income tax, earmarked for education, allows for homestead exemptions ($4,000) from statewide ad valorem (6.5 mills total) to be replaced by transfers from the income tax. Thus, this portion (3 mills of 6.5 mills) of homestead exemptions finds its way back to K-12 education funding under the Minimum Program. ("A Legislator's Guide to Alabama's Taxes," by the Legislative Fiscal Office, January 1991).

Alabama's constitution provides a 15 mill limit on local ad valorem authorized for education (Constitution of Alabama, 1901, Amendment 373 and Act 78-6). All authorized ad valorem rates are not in place in some localities and are exceeded in others by special constitutional amendments. These limits may be exceeded if a) proposed by the local governing body after a public hearing, b) approved by the Legislature, and c) approved by the electorate. In addition to this prescription for exceeding 15 mills, property assessment classifications are employed which further limit the local collections of property taxes. The 15 mills allowed are as follows:

Amendment 3	3 mills county
Amendment 3	3 mills district
Scn. 269, Art XIV	1 mill county
Amendment 202	5 mills county
Amendment 382	3 mills district
Total	15 mills

Many local boards' ad valorem rates do not conform to any combination of those that are constitutionally authorized statewide. This is caused by the more than 50 amendments providing for local property taxes (local amendments, approved by statewide electorate). Amendment 382 requires 10 mills or its equivalent for participation in the Minimum Program Fund mentioned above. The lid law allows for the following classifications and assessment ratios, lids, and total millage as follows:

Classification & Assessment ratio	*Lid*	*Total Millage*
Utility, 30%	2.0%	66.7
Other, 20%	1.5%	75.0
Farm & Home, 10%	1.0%	100.0
Automobiles, 15%	1.25%	83.3

Alabama's constitution is a complex document which has been amended 534 times since its adoption in 1901. Some amendments seem to contradict others relative to local taxation without specifically amending that section which is contradicted. Since each section has equal legal weight, bond attorneys consider that each amendment and section stands alone and is supplementary to others. ("Local Ad Valorem Taxation," by Dr. Richard L. McBride, Alabama State Department of Education, no date (approximately. Jan., '87)).

XIV. TAX AND SPENDING LIMITS

Alabama law requires that expenditures may not exceed revenues in that fiscal year. Thus, as in FY 1990-91, appropriations are prorated by the ratio of total appropriations to total revenue receipts. ("Code of Alabama, 1975," Scn. 41-4-90, colloquially referred to as the Fletcher Budget Act).

In an effort to prevent the proration of education appropriations, the Legislature created the proration prevention account. It grew to $21 million in FY 1989-90 by appropriations, but was transferred back to the Alabama Special Educational Trust Fund, due to proration in FY 1990-91. This account will remain at $0 until revenues and appropriations are such that this surplus can be replenished. ("Code of Alabama, 1975," Scn. 40-1-32.1).

XV. EARMARKED STATE REVENUE

Alabama earmarks most of the revenue receipts in one way or another. The education funds are earmarked under the Alabama Special Educational Trust Fund. This fund consists of taxes, receipts and percentages of the total as follows:

Tax Source	*FY '90-91 Amt. ($ million)*	*% of Total*
Beer	$17.4	0.7%
Hydroelectric	0.7	0.0%
Income	1,224.5	50.7%
Insurance Prem	29.0	1.2%
Leasings	14.3	0.6%
Sales	820.7	34.0%
Store License	0.4	0.0%
Telephone	9.7	0.4%
Tobacco	21.5	0.9%
Use	98.8	4.1%

The above numbers are net receipts, available for appropriation by the Alabama Legislature and allocation by the Alabama State Department of Education, after deductions for bond amortization, cost of collections, and authorized transfers.

ALASKA

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Although the description for the school finance program is for the 1990-91 school year, the financial data are for the 1989-90 (FY 1990) school year. This was the latest year for which complete financial data was available.

I. GENERAL BACKGROUND

State

- The cost for Alaska public elementary and secondary schools totaled about $1.03 billion during the 1989-90 school year (FY 1990), including all operating expenditures, direct state capital appropriations, and debt service. With an average daily membership (ADM) in all school districts of 104,000 students, this computes to about $10,000 per student. Operating expenditures totaled $875 million for FY 1990, or about $8,400 per ADM. These figures consider only the costs incurred by Alaska's 54 local school districts. In addition, the state of Alaska operates the Mount Edgecumbe high school and a centralized state correspondence program for rural students, and other state-sponsored boarding homes and facilities.

- During the past 4 years, Alaska education costs have been rising at an annual rate of 3% to 4%. The student population has also risen but at a slower rate, so that the cost per student has increased slightly since 1988. The rate of increase has been slower, however, than the rate of general price inflation over this period.

- In FY 1990, the state of Alaska contributed $663 million to school districts for elementary and secondary education. This amounts to 64.4% of total education revenues. The federal government contributed $136 million, or 13.2%. The remaining 22.4%, or $230 million, came from local sources. The share of federal, state, and local revenues has changed relatively little in the past four years.

- The largest single source of funds for Alaska school districts is the state Public School Foundation Program. In FY 1990, the foundation program distributed $486 million, about 73% of the total state contribution. The state also reimbursed local governments for about $110 million in debt service payments for school construction bonds. Other major state funding programs include grants for pupil transportation ($25 million) and state tuition for rural students to attend urban schools ($13 million), and capital appropriations for school construction ($34 million). State direct capital spending for schools, including grants to local governments for school construction, has fluctuated considerably over the past 20 years, but has been very modest during the past 4 years compared to the levels prevailing in the first half of the 1980s.

- Other funds given to school districts which appear in the state budget are funded from federal programs. In addition to the $63 million in grants Alaska schools districts received directly in PL 81-874 funds, the state received another $20.6 million from the federal government for state correspondence, military base schools, and the Mt. Edgecumbe school. The state adds these federal revenues to the state appropriation for the foundation program fund and distributes them to schools. The state also distributed to school districts $33 million in federal funds available from national programs for assisting disadvantaged, handicapped, and gifted students, and for vocational education, in addition to $9 million in federal funds to support the school lunch program, in FY 1990.

Local

- Although the state government provides the majority of funds to nearly all school districts in Alaska, schools in the state's 21 Regional Education Attendance Areas (REAAs) serve 12,500 students where no local governments are organized to collect property taxes. These districts are nearly totally dependent upon state and federal support.
- Alaska's 33 city and borough school districts, on the other hand, all benefit from local tax appropriations collected by municipal or borough governments. In FY 1990, Alaska cities and boroughs raised about three-fourths of the $224 million in local revenues to support education in FY 1990 from real and personal property taxes. This includes $6.5 million in local debt service payments not reimbursed by the state as well as $166 million in operating revenues. School districts raised the remaining $58 million of local revenues from non-tax sources.

Funding Summary, 1990

Total State Aid (All Programs)		$663 million
Grants in Aid	663 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue		173 million
Total Combined State and Local School Revenue*		894 million
State Financed Property Tax Credits Attributable to School Taxes	0	

* Includes $58 million in local non-tax revenue

II. THE BASIC SUPPORT PROGRAM

The Public School Foundation Program

Funding in 1990: $486 million (73.3% of total state school aid)

Nature of Program: Foundation. The Public School Foundation Program distributes nearly one-half of all funds for public elementary and secondary education in Alaska.

Units: Instructional units.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: Since FY 1988, the amount of state aid a school district receives depends on 4 factors. These are:

1. Base instructional unit value
2. Number of instructional units
3. Area cost differential
4. Equalization

The first factor, the base instructional unit value, determines the overall level of state support. The remaining 3 factors each address perceived problems of equity in allocation of funds across districts. Section 14.17 of the Alaska Statutes contains the exact legal definitions of the 4 factors and describes the computational details.

1. *Base Instructional Unit Value.* The base instructional unit value is defined as the dollar amount that the state determines is sufficient to meet the basic educational need for one instructional unit. An instructional unit theoreti-

cally represents a classroom of students; the number of pupils constituting an instructional unit varies according to the educational program and type of school district. The base value used for Fiscal Years 1988 through 1991 was $60,000 per instructional unit. This implies that the state considers the cost of running a regular school classroom to be about $60,000 for a school year, including the teacher's salary and benefits, materials, administration, and building operations and maintenance. Pupil transportation, school lunches, and some student activities costs are not included, however.

2. *Number of Instructional Units.* The mechanism which computes the number of instructional units for a given school enrollment is quite complex. Table 2 outlines the formula used to calculate the number of instructional units — essentially classrooms which need to be staffed and maintained — for a school site, given the size of the school and the education program type. Programs include regular elementary and secondary, vocational, special, bilingual, and correspondence education.

Secondary programs generate more units than elementary programs, implying that it costs more per pupil to run a high school class than it does an elementary school class. An enrollment increase of 17 students will add one additional unit for a regular elementary school program, while it takes only 13 more students to add one to the number of regular high school units.

More importantly, although the number of units also varies with enrollment, the adjustment is not proportional. Communities with smaller enrollments receive more units per average daily membership (ADM) than do larger communities. In addition, communities with less than 200 students in either elementary or secondary schools — mostly rural remote sites — have an entirely different formula which gives them many more units than other schools. In calculating the number of units, the foundation program attempts to compensate districts for the higher cost of providing education in smaller communities. Vocational, special, bilingual and correspondence programs generate additional percentage increments in the units generated by the regular instructional programs.

By using average daily membership (ADM) in the community rather than ADM in the school to compute the number of units, the formula avoids providing an incentive for districts to build costly small schools in larger communities, a potential problem in the past. In past versions of the formula, a school administered by a small district also received more funds per ADM than the same school would have received if it had been part of a district with a larger enrollment. Before 1987, districts also received different numbers of units depending upon whether they were located within an organized borough, within a community incorporated as a first-class city under Alaska law, or were an REAA. Whether the formula equitably distributes funds to provide education in smaller communities is a technical question. One must also view the question of equity for smaller districts as a policy issue, however. Since smaller districts can always combine into larger ones and purportedly save money, one needs to ask how much subsidy the state should provide to small school districts in order to obtain the greater political responsiveness to local education concerns.

Alaska Instructional Unit Formulas
Enacted in 1987 and Effective in FY 1988 - 1991

Elementary Instructional Units for funding Communities with more than 200 students in grades K-6	15 + (ADM - 200)/17
Secondary Instructional Units for funding Communities with more than 200 students in grades 7-12	18 + (ADM - 200)/13

		Min ADM	*Max ADM*
Total Instructional Units for funding communities with fewer than 200 students in grades K-6 or fewer than 200 students in grades 7-12	2	1	10
	2 + (ADM-10)/5	11	20
	4 + (ADM-20)/8	21	60
	9 + (ADM-60)/12	61	120
	14 + (ADM-120)/15	121	525

Vocational Education — ADM * Weighting Factor * 0.05

Category	*Weighting Factor*
Category 1	0.2
Category 2	0.4
Category 3	0.6
Category 4	0.8

Special Education — ADM * Weighting Factor

Service	*Weighting Factor*
gifted and talented	0.025
resources	0.056
self-contained	0.100
intensive/hospital homebound	0.333

Correspondence Instruction — Included in ADM of largest funding community in district

Bilingual / Bicultural — ADM * 0.042 * Language dominance category weight

Category	*Weighting Factor*
Category A	1
Category B	1
Category C	0.2
Category D	0.2
Category E	0.1

Vocational Education Categories

Category 1: health, consumer, homemaking, horticulture, commercial art, clothing/textiles, general marketing, food production, renewable and natural resources, forestry, agricultural services/supplies, transportation and travel, wildlife management, child care management, and surveying

Category 2: aircraft mechanics, communication technologies, commercial photography, agricultural mechanics, accounting and related, small engine mechanic, and automotive body repair

Category 3: agricultural production, welding, industrial education, woodworking, automobile mechanics, electrical technician, drafting, fisheries and diesel engine repair.

Category 4: graphics, secretarial/word processing, construction trades

Bilingual Education Categories

Category A: students who speak a language other than English exclusively.

Category B: students who speak mostly a language other than English, but also speak some English.

Category C: Students who speak a language other than English and English with equal ease.

Category D: students who speak mostly English but also speak a language other than English.

Category E: Students who speak English exclusively but whose manner of speaking reflects the grammatical structure of another language.

3. *Area Cost Differential.* The third factor, the area cost differential (formerly called the instructional unit allotment multiplier) scales the base instructional unit value by a certain percentage for each region or district. The product of the base instructional unit value and the instructional unit allotment multiplier is called the instructional unit allotment. The product of the instructional unit allotment and the number of instructional units is called basic need. The area cost differential functions as a regional cost of living index. The state assigns a distinct area cost differential to each school district. The differential is fixed at 1.0 for Anchorage, and rises to over 1.4 for districts in western and northern Alaska. Because rural districts also contain most of the small sites, the regional differentials interact with

the formula which generates the number of instructional units. The potential confusion created by this overlapping intent is increased by the fact that the area cost differentials currently in use do not generally coincide with estimates of actual cost of education differentials in these communities. (See Matthew D. Berman and Eric Larson, *Education Equity and Taxpayer Equity: A Review of the Alaska Public School Foundation Funding Program*, ISER September 1991, Appendix A.)

Alaska law defines "basic educational need" for a given school district as the product of the base instructional unit value, the number of units, and the area cost differential. Basic need is essentially the dollar amount which the state determines is sufficient to provide the Alaska schoolchild with acceptable educational services wherever he or she lives. The idea of need goes far beyond simply a level of state aid appropriated to all districts. Education equity based on need means that each district receives enough units per pupil, given the size of its schools and its program mix, and that its level of funding is adjusted adequately to reflect the cost differential relative to Anchorage for paying salaries and non-personnel costs.

4. *Equalization.* The policy intent of the foundation program is that the state will provide each school district with enough funds to meet basic need, if other sources of funding are not sufficient. In addition to providing at least some assistance to each district, the state is the education financier of last resort. The fourth factor which determines the amount of foundation funds a school district receives adjusts the level of state aid for the district's ability to pay its own way.

Under current Alaska law, the state makes 2 deductions from calculated basic need in order to "equalize" state support provided to various districts. First, the state deducts 90% of eligible federal grants a district receives under PL 81-874. Eligible grants are those that federal regulations permit to be included in the state foundation program. This means, technically, that if a district receives a large amount of PL 81-874 funds, it can support education at above the state-calculated basic need. Although PL 81-874 grants are entitlements, school districts have to apply for them. It makes sense that districts are able to keep at least a portion of PL 81-974 funds in order to encourage them to apply for these grants.

Second, districts with the ability to levy local taxes (borough and city districts) must contribute a minimum level of local support for education. The state deducts from the amount of basic need the state will fund the amount which would be raised by a 4 mill (0.4%) tax on the full value of property in the district, or 35% of basic need, whichever is smaller. In other words, local governments with large tax bases may not have to contribute as much as 4 mills to education. The 35% cap currently affects only 2 Alaska school districts, the North Slope Borough and Valdez, although the Kenai Peninsula Borough and Anchorage are now or have recently been close to the ceiling.

The current provision for required local effort was implemented in FY 1988 with a transition clause. Local school levies rose from their 1987 mill rates to the required 4-mill full-value level over a 3-year period.

State Share: The state share is equal to the calculated basic need cost for the district minus district Federal PL 81-874 funds and district local effort.

Local Share: The state foundation formula defines required local effort as an amount equal to that which would be collected by a 4 mill tax on the full value of real and personal property, up to the 35% ceiling described above.

Weighting by Grade Level: See (2) above.

Adjustments for Special Factors: See (3) and (4) above.

Districts Off Formula: None.

Other State Programs

In addition to the Public School Foundation program, the state pays tuition for military dependents attending schools in city and borough school districts. The rationale for this program is that the military presence is very large in some communities of the state, and military installations do not directly provide a tax base to support public education. In FY 1990, the state tuition program cost $13.9 million.

III. TRANSPORTATION

Funding in 1990: 24.8 million (3.7% of total state school aid)

Description: Alaska provides 100% of the funding for pupil transportation under a state grant program. The rationale for state funding of transportation is the enormous disparity in the cost of transportation among school districts around the state. For example, many communities in Alaska are not accessible by road, necessitating, for example, air travel for students to participate in any interscholastic athletic or cultural events.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1990: Capital Projects $36.8 million (5.6%% of total state school aid)
Debt Service $110.8 million (16.7% of total state school aid)

The state provided $36.8 million in capital appropriations for school construction in FY 1990. This figure includes grants to city and borough school districts as well as construction funds for the Regional Education Attendance Areas.

In addition to direct capital appropriations for schools, Alaska had from 1970 to 1990 a program for reimbursing debt service payments made by school districts. The reimbursement percentage varied over the years, but has stood at 80% since 1985. This means that the state promises to pay 80% of debt service costs of construction projects approved by the Alaska Department of Education until the debt has been retired. Because many new school facilities were built to accommodate a rapidly rising student population in the early 1980s, a period during which the state reimbursement percentage exceeded 90%, the debt service reimbursement program rose to over $111 million per year. The local contribution, in contrast, was only $6.5 million in FY 1990.

In 1990, the legislature curtailed the debt reimbursement program to a school construction fund program. The results of this change are that no new construction projects can be added to the debt reimbursement program, but that the state still pays its obligations under the prior law for existing school debt.

According to Alaska law (AS14.11.100(b)), state cigarette tax proceeds are distributed to school districts, which can use the funds for repairs, renovations, new construction, or debt service.

V. TEACHER RETIREMENT

Before the 1987-88 school year, the state contributed the matching share toward the state Teachers Retirement System. The contribution in FY 1987 was $23 million. In the 1987 education finance reforms, the legislature passed the employer share of teachers retirement contributions on to school districts. There is no longer any specific state contribution, but one could argue that the cost of the system has been rolled into the mechanism for determining the general foundation grant to districts.

VI. SPECIAL EDUCATION

Funding in 1990: $2.6 million (less than 1.0% of total state school aid)

Description: The state spent $2.6 million in FY 1990 for special schools for handicapped children. The state has no designated program providing special education funds to school districts. However, the general foundation formula awards additional instructional units — and therefore more money — for 4 different categories of special education students. The weight factor in of 0.025 for gifted and talented, for example, means that a district receives 2.5% of the value of an instructional unit (in FY 1988-FY 1991, 2.5% of $60,000 times the area cost differential) for each student enrolled in a gifted and talented program. This amount is in addition to the regular elementary and secondary classroom units.

Data are not readily available to estimate the total amount of state foundation funds and local funds contributed for special education programs. There is no legal or regulatory requirement that school districts account for comparing the amount they spend on special education programs to the foundation funds acquired on behalf of these students.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

Gifted and talented programs are considered as a category of special education in the Alaska Public School Foundation program. Please refer to the above discussion of special education programs in section VI.

IX. BILINGUAL EDUCATION

Like special education, Alaska has no special program for bilingual education, but includes it as a source of additional funding in the general foundation formula. Non-English speaking students, for example, receive 4.2% of the value of an instructional unit in addition to the contribution these students make through overall elementary or secondary enrollments.

As is the case for special education, data are not readily available to estimate the total amount of state and local funds contributed for bilingual education programs. School districts are not required to spend an amount on bilingual education equal to the foundation funds acquired on behalf of these students.

X. OTHER CATEGORICAL PROGRAMS

Description: The state contributes minor amounts in miscellaneous grants to school districts — approximately $4.3 million in FY 1990. These grants include support for the community schools program and a boarding home program to assist rural students who wish to attend school in a larger community. However, Alaska supports 2 other important types of elementary and secondary programs — vocational education and special programs for rural students. Although the state provides very little direct funding for specific K-12 programs for vocational education, districts receive additional instructional units — ranging from 1% to 4% of a unit — for each student in vocational programs. Like special education, there is no requirement that districts actually spend an amount equal to their additional foundation award for vocational education.

In addition to the rural school system provided by the REAAs, the state sponsors 2 important programs to assist rural students. First, the state operates the Mt. Edgecumbe School in Sitka. Mt. Edgecumbe is a boarding high school for rural native students which the state took over from the U.S. Bureau of Indian Affairs in 1985. The FY 1990 instructional cost of Mt. Edgecumbe was $1.5 million. The state paid an additional $1.9 million that year to run the residential campus. Second, the state runs a centralized correspondence study program for students not otherwise enrolled in a school district correspondence program. The cost of this program was $3.6 million in FY 1990.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

In addition to the federally funded Head-Start program, the Alaska Department of Education provides a small amount of funding for grant programs for developing early childhood curriculum. These funds are not ordinarily available to school districts.

XIII. LOCAL SCHOOL REVENUE

In FY 1990, Alaska cities and boroughs allocated $166 million in local taxes for operating revenues and an additional $6.5 million for debt service payments not reimbursed by the state. REAA districts are not contained in a borough or city with taxing authority so they do not receive local tax revenues. School districts also raised $58 million in FY

1990 from local non-tax revenues. Major sources include interest on school district fund balances ($9 million), other operating revenues such as rental of school facilities ($11 million), school lunch fees ($8 million), and contributions to various special and trust funds for school-sponsored activities ($30 million).

Local Taxes

Alaska's 33 city and borough school districts are not fiscally independent, as their budgets must be approved by general local government legislative bodies. Consequently, all local revenues may be considered as potential school district revenues. In Alaska, the sales tax has historically been reserved for local jurisdictions; local governments rely heavily on sales taxes as well as property taxes.

Property Tax

The state foundation formula defines required local effort as an amount equal to that which would be collected by a 4 mill tax on the full value of real and personal property. Consequently, full-value property tax revenues are used to measure local school tax contributions. Alaska does not assess the value of mineral reserves. The state annually assesses oil and gas exploration, production, and transportation property, however, and allows local governments to include this property in their tax base. For non-petroleum property, the Alaska Department of Community and Regional Affairs annually reviews data prepared by all local taxing jurisdictions to estimate assessment ratios and make a full-value determination. State law limits per-capita assessed value in a city or a borough to 225% of the average per-capita value, and local tax rates for operating expenditures cannot exceed 30 mills on the assessed valuation. These provisions have practical significance only for the North Slope Borough and Valdez.

Sales Taxes

In 1990, an average of $135 per capita was collected within boroughs (Alaska's version of county governments) in local sales and excise taxes, including taxes collected by cities within boroughs. This compares to $490 per capita for oil and gas and $564 per capita for other property. Nearly all oil and gas property on North Slope Borough. Cities lying outside borough boundaries but having the authority to levy property taxes — most of these communities have city school districts — collected an average of $544 per capita in sales taxes, compared to $487 per capita from oil and gas property, and $191 per capita from other property taxes (Source: Local tax assessment statistics and revenue figures are reported in *Alaska Taxable*, 1990, vol. 30, Alaska Department of Community and Regional Affairs, Juneau). Nearly all the oil and gas property taxes included in this figure are collected by the city of Valdez. Many of the Alaska's smaller cities have a very small property tax base, so they rely heavily on sales tax revenue to fund general government operations.

XIV. TAX AND SPENDING LIMITS

The state foundation program allows local governments to increase the local contribution beyond the required level of local effort. Tax revenues raised by taxes exceeding 4 mills on full property value (or exceeding 35% of basic need) are not deducted from the amount of state aid to the district. The state, however, limits local tax contributions for school district operating budgets to the amount which would be collected by a 6 mill property tax, or an additional 23% of basic need, whichever is less (AS 14.17.025(b)).

Rural borough and city districts generally fund a smaller share locally than do urban districts. The main reason for this is that the foundation formula calculates a larger award for districts with smaller communities and higher area cost differentials, and higher cost of education is not related in Alaska to the local tax base.

XV. EARMARKED STATE REVENUE

According to Alaska law (AS14.11.100(b)), state cigarette tax proceeds are distributed to school districts, which can use the funds for repairs, renovations, new construction, or debt service.

ARIZONA

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I. GENERAL BACKGROUND

State

- The state share of general fund revenues for K-12 public schools has decreased in recent years; the proportion was 37.1% in 1989-90 and 36.2% in 1990-91. Additional state funds are provided through a local property tax homeowner's rebate program under which 50% of the property tax on an owner-occupied residence is forgiven.
- The principal source of state revenue for the public schools is the state general fund. The major revenue sources for the state general fund are sales and income taxes. In addition, 1990-91 state land revenues generated about $51.5 million. For 1990-91, the general fund appropriations for K-12 public education totaled $1,227.1 million and the state share in the equalization program was $1,181.7 million, or about 60% of the total basic state aid.
- The current state equalization program was enacted in 1980, and modifications were made in 1985. Of the total state funds for public schools, 96.3% is for the state equalization program and 3.7% is for categorical programs.
- Since 1980, local school district expenditures have been limited by statute. The expenditure control provisions in the Arizona program are among the most stringent in the nation.
- Since 1981-82, Arizona has had a constitutional limit on the aggregated *total* spending by all local school districts.

Local

- The state has a total of 225 school districts, 5 of which are special districts that have no tax base and serve special populations; these districts have 0.5% of the total ADM for the state. Of the remaining fiscally independent 220 districts, 87 are unified or K-12 districts with 62.7% of the total ADM, 17 are union high school or 9-12 districts with 9.1% of the total ADM, 66 are elementary districts that are part of a union high school district with 26.7% of the total ADM, and 50 are elementary districts not in a union school district with 1.0% of the total ADM. This last group of districts pays the cost of educating its resident high school students on a tuition basis.
- Property taxes constitute the sole source of local district tax revenues. Voter approval is not required to levy the qualifying tax rate, but is required for overrides to supplement the foundation program.
- Arizona does not have a constitutional limit on local property tax rates, but does have a limitation on the aggregated *total* spending by all local school districts.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$1,227 million
Grants in Aid	1,073 million	
Teacher Retirement Contribution	0	
FICA	0	
Total Local School Tax Revenues		933 million*
Total Combined State and Local School Revenue		2,160 million
State Financed Property Tax Credits Attributable to School Taxes**	154 million	

* Includes $107 million in County Equalization (Section XIII)

** Included in Total State School Aid

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $1,027.9 million (96.3% of total state school aid)

Nature of Program: Foundation program, including state funding for maintenance and operation, school transportation, capital outlay, and capital levies. For maintenance and operation, the state limits expenditures in all districts except for a group of low-enrollment districts. With the exception of the capital outlay and capital levy funds, state funds are considered to be block grants. School districts are not required to spend specific amounts on specific programs, and the capital outlay funds may be transferred to maintenance and operations by school board resolution.

Units: Pupils. Weighted students in average daily membership (ADM).

Local Fiscal Capacity: Assessed property valuation.

How Formula Operates: The state equalization formula provides $2,404 per weighted student for maintenance and operation (plus additional funding for school transportation, capital outlay, high school textbooks, and capital levies) from a combination of state, county, and local funds.

State Share: The state payment is the difference between the district's formula entitlement and the amount raised by the qualifying tax rate from local and county tax sources.

Local Share: For elementary school districts in a high school district and for high school districts, the local share or qualifying tax rate is $2.36 per $100 of assessed valuation; for elementary school districts not in a high school district and for unified school districts, the qualifying tax rate is $4.72 per $100 of assessed valuation. (However, local districts are not required to levy the qualifying tax rate as a condition for receiving the state equalization payments.) In addition, the proceeds from a county equalization tax of $0.50 per $100 of assessed valuation are included in the equalization calculation.

Weighting by Grade Level: The weight for students in grades K-8 is 1.158, and for students in grades 9-12 is 1.268.

Weighting by Program: Add-on weights are used to provide additional funds for the following categories of students:

Program	*Add-On Weight*
Vocational education	0.071
Hearing handicapped	2.353
K-3	0.040
LEP (limited English proficient)	0.020
Multiple Handicapped (Resource Room)	0.762
Multiple Handicapped (Self-Contained)	2.489
Multiple Handicapped (SSI)	4.079
Physically Handicapped (Resource Room)	0.603
Physically Handicapped (Self-Contained)	2.678

SEH, EMH, LD, SH, and OHI	0.003
Seriously Emotionally Handicapped (Private)	1.539
Trainable Mentally Handicapped	2.084
Visually Handicapped	2.928
Pre-School Handicapped	1.45

Students must be eligible and be participants in the programs for the school district to receive the funds, but school districts are not required to expend the funds on the programs or students used to generate the funds. However, federal regulations require that disabled students be provided with a free and appropriate education irrespective of the amount of state funds.

Arizona does not have a hold-harmless clause that guarantees basic level support.

Adjustments for Special Factors: Additional funds are provided for operation of low enrollment and isolated school districts and higher salary costs for more experienced teachers.

Isolated schools are those that are more than 30 miles from the nearest school that offers instruction in one or more of the same grades and that is operated by another Arizona school district. For isolated school districts with an ADM between 100 and 499.999, a weight adjustment factor of 0.0005 is applied to the district's ADM; for isolated districts with an ADM between 500.000 and 599.999, the weight adjustment factor is 0.002. For non-isolated school districts with an ADM between 100 and 499.999, the weight adjustment factor is 0.0003 for K-8 districts and is 0.0004 for 9-12 districts; for non-isolated districts with an ADM between 500.000 and 599.999, the weight adjustment factor is 0.0012 for K-8 districts and 0.0013 for 9-12 districts. The grade level weights per ADM in low enrollment and isolated school districts are as follows:

	Isolated		*Non-Isolated*	
ADM	*K-8*	*9-12*	*K-8*	*9-12*
0-99.999	1.559	1.669	1.399	1.559
100-499.999	1.358	1.468	1.278	1.398
500 and over			1.158	1.268

A teacher experience index is calculated annually for all teachers in the state, and additional funds are provided to those districts whose recognized teacher experience exceeds the state average. For eligible districts, an index is used to increase the total number of weighted students used in the calculation of the base support level or state equalization payments. The calculated teacher experience index for each district is the average experience recognized in calculating the salary for each of the teachers in the district. The state average is the average for all teachers in the state, not the average of the district experience indexes. For districts whose teacher experience is above the state average, the number of weighted pupils is increased by 2.0% for each year that the district's average is the state average.

Of the total state funds, $9.0 million was provided for additional state funds to "growth" school districts in which the number of students was over 6% greater than in the prior year.

Districts Off Formula: 15 of 225 (6.7%). This figure also applies to transportation aid, capital outlay, high school textbook aid, and capital levies since these aids are included in the equalization calculation.

III. TRANSPORTATION

Funding in 1990-91: Specific state funds for school transportation cannot be identified because state payments are included in the calculation of the total state aid entitlement for each district.

Description: A district's entitlement is based on the approved daily route-miles for school transportation and the number of eligible students transported. Additional funding is provided for academic, vocational and technical education, and athletic trips on an index basis. The following formula is used in calculating a district's transportation support level:

Approved Daily Route-Miles per Eligible Student Transported	*State Support Level Per Route-Mile*
0.500 or less	$1.88
0.501 - 1.000	$1.53
1.001 or more	$1.88

The index for allocating the additional funds for academic, vocational and technical education, and academic trips is shown in the following table:

Approved Daily Route-Miles per Eligible Student Transported	*Factor*
K-12 districts and K-8 districts not in a high school district	
0.001 - 1.000	.15
1.001 or more	.18
K-8 districts in a high school district	
0.001 - 1.000	.10
1.001 or more	.12
High school districts	
0.001 - 1.000	.25
1.001 or more	.30

State and Local Shares: State and local shares for school transportation cannot be identified because state payments are included in the calculation of the foundation program.

IV. CAPITAL OUTLAY AND DEBT SERVICE

The Arizona foundation program includes funding for capital outlay and capital levy expenditures from state and local funds. For capital outlay, the state foundation program guarantees $219.14 per K-8 student and $260.09 per 9-12 student. A textbook allowance of $67.63 per 9-12 student also is included in the calculation. The capital levy amount is $170.27 per student. Adjustments in both payments are made to provide additional funds for low-enrollment school districts. Since their inclusion in the Arizona foundation program, the formula amount for these programs has been adjusted by the inflation adjustment in the same manner as the basic allotment per student. Use of capital levy funds is restricted to capital expenditures and debt service payments; however, by school board resolution, the capital outlay funds may be transferred to maintenance and operation and used for current operations.

School districts meet their capital needs through cash reserves, current funds, general obligation bonds, and lease rental agreements.

Cash Reserves. Capital outlay expenditures may be funded from accumulated cash reserves, sale of property, gifts, and cash balances accumulated from unexpended revenues.

Current Funds. The state foundation allotment for capital outlay and debt levy expenditures guarantees districts access to about $400 per student for capital outlay and debt service purposes. Districts also may raise funds for capital projects by securing voter approval of a capital override to have a special levy that permits spending beyond the expenditure limit on a one-year basis.

Bonds. Voter approval is required for school districts to issue general obligation bonds for capital outlay purposes. The Arizona Constitution limits the amount of general obligation bonds to 15% of the assessed value of taxable real property in elementary and high school districts and 30% of the assessed value of real property in unified school districts. These bonds are retired with the receipts of a debt service tax rate or current funds.

V. TEACHER RETIREMENT

No earmarked appropriation is made for teachers' retirement. Public school teachers are covered under the state public employees retirement program. The current contribution rate for teachers is 3.6% of salary. The individual contribution level is reviewed and adjusted periodically.

Local school districts make the employer's contribution to FICA and the state retirement fund. The state's funding requirements and the employees' share are computed on an annual basis by actuaries to determine if the reserve funds are sufficient to meet the future obligations of the fund. Retirees also may secure health insurance for themselves and their dependents.

VI. SPECIAL EDUCATION

State funding for special education is through add-on weights in the foundation program. (Information on the weights may be found in Section II, The Basic Support Program.)

VII. COMPENSATORY EDUCATION

The state does not provide state funding for compensatory education. Discretionary competitive grants have been used to fund programs and services for at-risk youth in a small number of local school districts. Additional detail on these programs can be found in Section X, Other Categorical Programs.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: Funding is provided for grants for additional services to meet the educational needs of gifted pupils and to establish school district gifted demonstration and training sites. School districts that comply with the statutory provisions related to programs for gifted pupils may apply for additional funding equal to $55 per pupil for 3% of the student count, or $1,000, whichever is greater. Of the total funds, $900,000 is for direct grants to school districts, $50,000 is for demonstration and training sites, and $50,000 is for the State Department of Education to provide staff for technical assistance and support for local school districts.

Extent of Participation: The foundation program does not provide specific state funds for gifted and talented education; funds are allocated on an application basis as described above.

IX. BILINGUAL EDUCATION

State funding for limited English proficient students is through an add-on weight in the foundation program. (Information on the weight may be found in Section II, The Basic Support Program.)

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $3.8 million (less than 1.0% of total state school aid)

Description: In addition to an add-on weight of .071 provided in the basic state aid program, $3.8 million in state funds is provided for 2 types of grants to local school districts. One is for programs related to "high demand" occupations, and the second is for programs related to entry-level skill preparation. Eligibility for funding is based on meeting the state standards and requirements. For the high-demand occupations, the state has a priority listing of vocations that serves as the basis for funding allocation. For the entry-level programs, funding is allocated to districts offering training programs that require extensive vocational equipment.

Court Ordered Desegregation

Funding in 1990-91: $43 million in local school district funds; districts under federal court orders or consent decrees are permitted to exceed the expenditure limits for approved activities designed to address desegregation issues.

State and Local Shares: No state funds are provided. All funding for the program ($43 million in 1990-91) is from local tax sources.

Extent of Participation: Local tax rates for desegregation programs were being levied in 10 urban school districts.

K-3 "At-Risk" Programs

Funding in 1990-91: $5.5 million (less than 1.0% of total state school aid)

Description: As discretionary grants, $5.5 million in state funds was provided in 1990-91 as the state's continued funding of a 4-year pilot program of grants to school districts. The program is for grants to districts with large percentages of pupils in kindergarten programs and grades 1-3 who are at risk of not succeeding in the educational system. Of the state funds, $2.6 million was for continuation projects, $2.5 million for new projects, and $1.9 million for new second-phase projects. The sum of $100,000 was allocated to the state educational agency for technical assistance and evaluation.

7-12 Dropout Prevention Programs

Funding in 1990-91: $1.5 million (less than 1.0% of total state school aid)

Description: As discretionary grants, $1.5 million in state funds was provided in 1990-91 as the state's continued funding of a 4-year pilot program of grants to school districts. The program is for grants to districts with large percentages of pupils in grades 7-12 who are at risk of not completing high school graduation requirements. Of the total, $1.35 million was for local school district programs.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

None.

XIII. LOCAL SCHOOL REVENUE

The property tax is the only local revenue source for schools except for in-lieu-of tax payments from a large public utility. In 1990-91, property tax receipts for maintenance and operations were $826 million. The state has 2 tax levies — the primary levy and the secondary levy. Of the total tax levy, $665 million was for the primary tax levy, or the local share of the state foundation program; the county tax for schools provided an additional $107 million for equalization. The secondary tax levy included a total debt service levy of about $280 million and about $160 million for expenditures above the expenditure limits. Over $86 million was for voter-approved referendum overrides that permitted districts to exceed the spending limits by up to 10%. Almost $8 million was for voter-approved overrides for special programs to serve students in grades K-3.

The county tax rate of $0.50 per $100 of assessed valuation raised $110 million that was included in the equalized foundation program available to local school districts.

For tax purposes, property is grouped into 10 classes, and tax rates are applied to varying percentages of real value, i.e., owner-occupied residences at 10%; agricultural at 12%; rental property at 15%; and mines, railroads, utilities, and commercial property at 25%; geothermal at 100%. Determination of values is the responsibility of the county tax assessor. The effect of the property tax on homeowners is reduced because 50% of the primary property tax levy on an owner-occupied residence is forgiven and paid from state funds.

Arizona does not have a state program for comparing assessment practices and determining the equalized assessment values of real property among school districts.

XIV. TAX AND SPENDING LIMITS

Since 1981-82, Arizona has had a constitutional limit on the *total* spending by all local school districts. The limit is on maintenance and operation or current operations and does not include federal grants, capital levies, or debt service; however, state special projects and federal impact aid payments are included in the limitation. Increases are permitted each year based on the increases or decreases in the number of students and the changes in the gross national product price deflator. The limit may be raised by voter approval, and the voters approved a 10% increase in 1986. The limit also may be exceeded by vote of a two-thirds majority of the House of Representatives and the Senate, but this approval is required on an annual basis.

In addition to the constitutional limitation, the expenditure control provisions in the Arizona foundation program are among the most stringent in the nation. Irrespective of the taxable property in the individual school district, per-student spending limits for maintenance and operation stipulated in the state equalization program cannot be exceeded except under specified conditions. These conditions include authorization for districts with fewer than 100 students in grades K-8 or fewer than 125 students in grades 9-12, voter approval of a limited-term 10% override, or statutory provisions for court-ordered desegregation and minor items such as dropout prevention, registered warrants, excess insurance expenditures, and excess utility expenditures. For all districts in the state, the aggregated total 1990-91 budget for these items outside of the spending limits exceeded $205 million, or about 10% of the total budget for maintenance and operations.

The state has 2 programs that temper the effect of the property tax. One is the homeowners rebate, under which 50% of the primary property tax levy on an owner-occupied residence is forgiven, and the state rebates the difference to local school districts. Statutes provide for this program to be phased out by the year 2000. The second program provides that, in the event that the total tax liability on a residential parcel exceeds 1.0%, the taxes are reduced to 1.0%, and the state makes up the difference. The estimated state funds for these 2 programs in 1990-91 was $153.8 million.

XV. EARMARKED STATE REVENUE

The only earmarked state source of revenue for school districts is income from state public land. In 1990-91, revenues for schools generated from this source were $51.5 million.

ARKANSAS

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I. GENERAL BACKGROUND

State

- The state share of the cost of public education continued to rise during the past decade. The largest increase occurred in 1983 with the passage of the current finance law which was accompanied by a one cent increase in the sales tax. In 1991, the legislature created the Educational Excellence Trust Fund, largely devoted to increasing teachers' salaries, which was funded by a half-cent increase in the sales tax.
- State funds are distributed on the basis of Weighted Average Daily Membership (WADM). There is no fixed amount guaranteed each pupil. The equalization rate is calculated annually to reflect the state and local funds available.
- The current school finance plan took effect in the 1984-85 school year.
- The most important recent change in the formula was the allowance of an increase in the real property tax rate, used in the calculation of district wealth for the basic support formula, from 19 mills to a limit of 25 mills. This permits the capture of more local wealth. The 25 mills is the maximum which may be charged and only if the legislature increases future state funding to education. The current charge is 22.5 mills. The charge will increase to 23.5 mills when the legislature appropriates an additional $25 million for the Minimum Foundation Program — this will occur at one-tenth mill for every $2.5 million added. A second change was the removal of the small district weight factor in the formula. These changes took place in 1989.
- No court challenge to the present system currently is pending.

Local

- There are 325 school districts, all of which are fiscally independent. *Four districts consolidated in 1991 leaving 321.*
- Local funds are generated by the property tax plus miscellaneous funds such as payments in lieu of taxation, severance taxes, and federal funds.
- All property taxation requires voter approval. There is no limit to millage rates.

Funding Summary 1990-91

Total State School Aid (All Programs)		$948 million
Grants In Aid	858 million	
Teacher Retirement Contributions	90 million	
FICA	0	
Total Local School Tax Revenue		464 million
Total Combined State and Local School Revenue		1,412 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1990-91: $743.0 million (78.4% of total state school aid)

Nature of Program: Minimum Foundation Program (MFP) (SEC 6-20-300). It is two-tiered.

Units: Pupils. Weighted Average Daily Membership.

Local Fiscal Capacity : Equalized assessed property valuation (WADM).

How Formula Operates: For each school district, ADM is calculated based on attendance for the first three-quarters of the previous school year. Weights, all of which are add-ons, are calculated as follows:

Special Education (Services received):	
Itinerant	.40
Resource Room	.85
Self-Contained (ratio of 1-15)	.70
Self-Contained (ratio of 1-10)	1.10
Self-Contained (ratio of 1-6)	2.00
Special School (Day)	2.35

Vocational Education:

Service Hour	Full Time Equivalent
.067	.40
.083	.50
.100	.60
.150	.90

Gifted and Talented Education	.25 (up to a maximum of 5% of the district ADM of the previous year)

These figures are added, yielding total WADM for each district.

District wealth is then calculated. For each school district, the yield generated from a 22.5 mill tax rate on real property and a 45 mill tax rate on personal property and carrier and utility property is calculated. Also, 75% of miscellaneous funds are calculated. The sum of these 4 revenue sources yields district wealth, which is then divided by the district's WADM yielding local resources per WADM. This amount is then subtracted from $1,200 and the result multiplied by the number of teachers with master's degrees. The resulting product is subtracted from district wealth. Local resources per WADM is then recalculated using the adjusted district wealth value. Districts are then ranked on the basis of adjusted local resources per pupil.

A state equalization rate is calculated by summing the total appropriated state aid for the MFP and the statewide total calculated district wealth (total local resources) and dividing by the total statewide calculated WADM. Any district whose adjusted local resources per pupil exceed the state equalization rate is removed from the calculation. The equalization rate is then recalculated using only the remaining districts wealth and WADM. This process is repeated until no district exceeds the equalization rate. Three districts exceeded the rate in 1990-91.

State Share: A district's local resources per WADM is subtracted from the state equalization rate. This amount is then multiplied by the district WADM, producing the total MFP aid to the district. Aid may be recalculated if any growth in enrollment has been registered at the end of the third-quarter of the current year.

Local Share: The local school district is not held to the calculated contribution. The district may levy millage rates that are higher or lower than the state-required millage rates used in the calculation of district wealth. If a district levies a higher millage rate, it may use the additional revenue for its support. However, if the levied millage rate is more than 3 mills below the calculated charge, then the district loses its add-on weights for vocational education and gifted and talented education.

An unusual feature of the formula is that it requires 70% of the net school income to be spent on professional salaries. Net income is defined as gross income less transportation aid, text book funds and debt interest and retirement. There is no state salary schedule, however, the state has set a minimum of $16,000 for teachers with a bachelors degree and $18,500 for teachers with a masters degree.

The rather small second tier of financing uses as its funding 1.0% of the increase in minimum foundation aid each year. Second-tier state funds are given to the lowest-wealth districts and only a few districts benefit from the second-tier aid. In order for a low-wealth district to receive full entitlement, the district must tax itself at a rate of 3 mills above the 22.5 mill charge on real property. A district which levies 2 mills above the charge would only receive two-thirds of the full entitlement, and 1 mill above, one-third.

Weighting by Grade Level: See above

Adjustments for Special Factors: None.

Districts Off Formula: 3 districts

III. TRANSPORTATION

Funding in 1990-91: $47.2 million (5.0% of total state school aid)

Description: Transportation aid is based upon a three-tiered formula. In the first tier, the average number of students transported (ADT) is divided by the square mileage of the district. The result is then given a rate from a chart prepared by the State Department of Education in which grants vary inversely with the calculated amount. The second tier is an allowance granted for each bus in regular usage. Larger buses receive a larger allowance. The third tier is a fixed sum for training of bus drivers and mechanics by the State Department. Funds are released only for persons actually trained.

State Share: The calculated amount.

Local Share: Districts pay the balance of the costs. Nineteen districts have a wealth factor included in their aid calculation. They receive fewer state dollars than they would if there were no wealth factors.

Districts that operate programs at a lower cost than the amount of their state aid are permitted to use those funds in other areas.

As of 1991, Act 840 restricts transportation funds to transportation and provides for the reversion of overpayment to the state. By action of the state board, an allowance was added for buses for the handicapped. The state board removed the wealth factor in 1991.

Extent of Participation: All districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

The state provides no statewide bonding system, but has provided the sum of $28 million in 3 revolving loan funds. A school district, depending on size, may borrow up to $300,000 for a period of 6 years . The maximum interest to be paid is 5 percentage points above the federal discount rate (SEC 6- 20-803). The funds may be used for building renovation, buses, and equipment. A district receives funds on the basis of an application to the State Board of Education.

Districts may also sell bonds for construction. Local millage, which must be approved by the voters, must be sufficient to cover 150% of the cost of the building. District indebtedness from the sale of bonds or borrowing from the revolving loan fund is limited to 18% of assessed valuation. Districts may be permitted by the State Board of Education to increase their debt limit to 21% of assessed valuation (SEC 6-20-1202).

In 1991, the legislature gave permission to the State Board of Education to sell certificates without limit to increase the loan funds.

V. TEACHER RETIREMENT

Funding in 1990-91: $89.8 million (9.6% of total state school aid)

Description: The state appropriates an amount equal to 12% of teacher salaries as its contribution to the teacher retirement system. The amount is calculated from the total amount paid as salaries during the previous year. Teachers have the option of being a contributing member of the retirement system and paying 6% of their salary into it, or being a non-contributing member and paying nothing. Benefits vary accordingly.

State and Local Shares: Local districts do not contribute to the teacher retirement system. However, since teachers in Arkansas are covered by both retirement and social security, local districts pay the employer's share of FICA.

Extent of Participation: All districts

VI. SPECIAL EDUCATION

Funding in 1990-91: $3.0 million (less than 1.0% of total state school aid)

Description: The special education program is funded by a series of weights in the MFP. These weights are based upon services rendered, not handicapping condition. This additional $3 million appropriation is for supervisors attached to the state department and regional cooperatives who are employed for the purpose of improving services to children identified as being handicapped.

Pilot programs for handicapped children, aged 3 and 4, are discussed under prekindergarten education.

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $8.0 million (less than 1.0% of total state school aid)

Description: Although there is no separate state funding, $8.0 million is set aside from the MFP to provide services to low-achieving students. Eligible students are those scoring at the 25th percentile or less on the state Minimum Performance Test given in grades 4, 7, and 10. The funding is equally divided by the total number of eligible pupils in the state, with each district receiving the same amount per pupil.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $1.9 million (less than 1.0% of total state school aid)

Description: Gifted and talented education is funded through a weight in the MFP. A sum exists for new programs provided either by individual districts or cooperatively. Funding is determined by multiplying 5% of the previous year's ADM by $200 with a minimum of $5,000 and a maximum of $75,000.

IX. BILINGUAL EDUCATION

None. The few bilingual programs in the state are federally funded.

X. OTHER CATEGORICAL PROGRAMS

Public School Employees Insurance

Funding in 1990-91: $30.8 million (3.2% of total state school aid)

Description: The state contributes $80.56 per month towards the cost of health insurance coverage for certified and non-certified employees. A non-certified employee working less than 900 hours per year is funded at a pro-rated amount.

Extent of Participation: All districts

State Apportionment

Funding in 1990-91: $1.3 million (less than 1.0% of total state school aid)

Description: A holdover from earlier days, the state contributes $3 per student to all districts in the state.

Extent of Participation: All districts

Cooperative Education Centers

Funding in 1990-91: $3.6 million (less than 1.0% of total state school aid)

Description: The state is divided into 15 educational cooperatives. The cooperatives receive funds to hire core staff and provide basic equipment. The remainder of their budgets is made up of fees paid by school districts for services rendered.

Extent of Participation: All districts

School Food Service Matching

Funding in 1990-91: $1.7 million (less than 1.0% of total state school aid)

Description: This aid provides funds to meet the state requirement for matching USDA full food service (school lunch) funding. A statewide meal count is taken on October 1. The number of meals served on that date serves as a basis for dividing the funds to match federal school lunch funds.

Extent of Participation: All districts

Computer-Based Grants

Funding in 1990-91: $1.5 million (less than 1.0% of total state school aid)

Description: Funds are provided for project IMPAC. This program provides grants to schools on the basis of applications for the purchase of both computer hardware and software.

Extent of Participation: All districts

Workmen's Compensation

Funding in 1990-91: $2.6 million (less than 1.0% of total state school aid)

Description: The state pays the worker's compensation insurance premium for local school districts.

Extent of Participation: All districts

Vocational Centers

Funding in 1990-91: $3.1 million (less than 1.0% of total state school aid)

Description: Aid is distributed to 16 area vocational high schools on the basis of weighted full-time equivalent students using the weights in the Minimum Foundation Law. These weights are then translated into a state equalization rate. The school receives this amount less tuition paid by the districts and any pass-through Minimum Foundation aid turned over by the participating school districts.

Capital Equipment

Funding in 1990-91: $1.3 million (less than 1.0% of total state school aid)

Description: This fund provides for the start-up of programs in Trade and Industrial Education begun by school districts. Funds are distributed on the basis of full-time equivalent students covered by applications submitted by school districts.

Extent of Participation: All districts

County General Aid

Funding in 1990-91: $1.5 million (less than 1.0% of total state school aid)

Description: The state provides an amount equal to the average teacher salary to county boards of education for the purpose of employing a county school supervisor. Since most counties have dispensed with that office, the funds may be used to employ a clerk. The excess dollars are divided among the schools within the county on a per-pupil basis.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $1.5 million (less than 1.0% of total state school aid)

Description: Programs for handicapped preschool children have been established in 15 cooperatives and 2 school districts not served by a cooperative. Thus, the whole state is served by the program. *The 1991 legislature session created the Better Chance Program to serve at risk preschoolers. It is funded at $5.2 million.*

XIII. LOCAL SCHOOL REVENUE

Local school districts rely almost entirely on the property tax which generated $464.2 million in 1990-91. Miscellaneous funds account for a small percentage of the revenue. This is almost entirely in the form of payments in lieu of taxation by either the federal government or tax-exempt business firms.

As a result of Amendment 59 to the Arkansas Constitution (adopted in 1980), there are 3 kinds of property: real, personal, and carrier and utility. Real property was reassessed in the years 1981-1985, and millage rates rolled back to a point where the taxing authority would receive no more than a 10% increase in revenue as a result of the reassessment. Personal property yield was frozen at the pre-reassessment level until such time as assessment of personal property increases to a level where the new real property tax millage equals the yield from the old millage. Carrier and utility property yield was frozen for 5 years and then lowered to the level of the yield of the new real property millage over a 5 year period at the rate of 20% of the difference per year. The reduction was almost complete in 1990-91.

As a result, increases in local millage apply only to real property until the millage on personal or carrier and utility is equalized.

Property is assessed annually by the county assessor, who is elected by popular vote. The assessment ratio is should be equal to 20% of the use value of the property. In fact, the average for the state is below 20% and several counties have been forced to reassess property again.

Equalization studies are conducted annually by the state Assessment Coordination Division, which is the same group as the Public Service Commission, whose major function is the regulation of utilities. The division has no power to force reassessment, but notifies all state agencies which, in turn, will withhold state aid if the assessment ratio is below 18% or above 22%. At this point, counties must reassess.

XIV. TAX AND SPENDING LIMITS

There are no limits on either taxes or spending beyond the limitations imposed by Amendment 59. The state constitution forbids deficit spending.

XV. EARMARKED STATE REVENUE

The Educational Excellence Trust Fund is earmarked for education.

CALIFORNIA

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I. GENERAL BACKGROUND

State

- The current status of California school finance can be traced to 3 watershed events of the last 20 years:

    1. The *Serrano* v. *Priest* legal challenge to California's school finance system,
    2. Passage of Proposition 13's property tax limitation, and
    3. Voter approval of Proposition 98's minimum funding guarantee for education.

- The primary effect of these 3 events has been a dramatic shift in the control of California school finance away from local districts and to the state. In 1991-92, California will spend over $27 billion on K-12 education. Approximately 85% of that money will either come directly from the state (64%), or through property taxes which are directly controlled by the state (20.6%).

- Total K-12 education funding for the 1990-91 school year in California amounted to $25.7 billion or $4,881 for each of the 5.265 million students in the state's public schools. The total funding has increased 98.8% over the last 10 years, an increase of $1.2 billion dollars every year on average. The 10 year average in real dollars, however, includes 2 years of decline at the beginning, 6 years of increase in the middle, and 2 years of decline at the end. Adjusted for inflation, the 1990-91 per pupil expenditure level measured in 1983-84 constant dollars is $3,627 or 13.8% above the 1983-84 amount of $3,186. It should be noted that real expenditures per pupil declined in 1991-92 and are projected to decline again in 1992-93.

- The state share of state-local revenue has not changed dramatically over the past decade. It was 62.0% in 1981-82, gradually increased to 65.0% (plus 2.3% from lottery) in 1986-87, but slightly decreased after that with 64.0% (plus 3.4% from lottery) in 1990-91.

- In 1990-91, state general funds provided the largest share of school district revenues, a total of $15.7 billion, or 60% of the total. Local property tax levies provided an additional $5.3 billion, or 20% of the total that year. Other revenue sources contributed an additional $5.1 billion, or 20% of the total. These other revenues are composed of (1) $1.8 billion in federal funds, (2) $140 million for state capital outlay, (3) $303 million in local property taxes used to retire voter-approved indebtedness, (4) $2.2 billion in miscellaneous revenues from the sale and rental of district property, developer fees, interest earned on cash deposits, cafeteria income, and other local revenue sources, and (5) $621 million from the state lottery.

- Most of state funds for the public schools come from sales and income taxes. Proposition 98 passed by the voters in 1988 guarantees a minimum state funding base for K-14 schools. K-14 education receives the greater of the proportion of the state guaranteed funding appropriated for education in 1986-87 (known as Test 1), or the same level of combined state aid and local tax dollars as received the prior year, adjusted for statewide ADA growth and an inflation factor equal to the annual percentage change in per capita personal income (known as Test 2). Proposition 111, passed in 1990, added a new test (known as test 3) which changes the formula for the inflation factor from the per capita personal income to per capita state General Fund revenues plus 0.5% in years when growth in the state's general fund budget is very small. Under Proposition 111, one time high state tax revenues will not be included automatically into subsequent increases in state aid. SB 88, a companion bill to Proposition 111, requires a supplemental allocation to K-14 education from the state, if necessary, to ensure the growth in education revenues is as large as the growth in state revenues on a per capita basis.

- Since the 1970s, California has not enacted a major replacement of its school finance formula. Rather the approach has been to make structural changes to the existing system. The antecedents of the current formula were established in 1971 with the passage of Senate Bill 90. This legislation created the revenue limit system that is still in use today. In 1978, in response to Proposition 13, Assembly Bill 8 modified the finance structure, largely by accommodating the loss of local taxing authority, and creating a system funded mostly by the state. In 1988, the voters approved Proposition 98 insuring that approximately 40% of the state's general fund budget would be used on K-14 education. In each case, there were substantial changes to the finance system, but in no case was the old system "thrown out" and replaced with a new system.

- During 1990-91, state revenues fell short of expectations. As a result, the Proposition 98 guarantee dropped and schools received $1.2 billion more than they were entitled to. Rather than take the money back from the schools, the Legislature treated the $1.2 billion as a loan, and applied it to the allocation for 1991-92 fiscal year. Using the "loaned" funds as part of the school appropriation for 1991-92 made it possible for the Legislature to avoid suspension of Proposition 98.

Local

- The state has 1,028 local school districts. This includes 271 unified, 645 elementary and 112 high school districts.

- All 1,028 districts are fiscally dependent. General operating budgets do not require voter approval, but are subject to review and approval by the County Superintendent's office.

- The major source of local revenue for school districts is the property tax. Local property taxes, limited to 1% of assessed value by Proposition 13, are distributed within each county on the basis of each taxing jurisdiction's percentage of total county property tax collections the year before Proposition 13 passed.

Funding Summary, 1990-91

Total State Aid (All Programs)		$15,644 million[1]
Grants in Aid	15,596 million	
Teacher Retirement Contributions	48 million	
FICA	0	
Total Local School Tax Revenue		5,014 million
Total Combined State and Local School Revenue		20,658 million
State Financed Property Tax Credits Attributable to School Taxes	0	

[1] This figure includes $1.233 billion in funds shifted to 1991-92 as a result of the state's revenue shortfall which reduced the minimum funding guarantee under Proposition 98.

I. THE BASIC SUPPORT PROGRAM

General-Education Revenue Limits

Funding in 1990-91: $9,047.6 million (57.8% of total state school aid)

Source	*Amount*
State General Fund	$9,034.5 million
State School Fund	13.1 million
Local Funds	4,750.9 million
Total	13,798.5 million

Nature of Program: Foundation (revenue limit), with a flat grant base (basic aid)

Units: Pupils. Average Daily Attendance (ADA).

Local Fiscal Capacity: District revenue limits based on historical spending (Education Code 42238).

District revenue limits are based on historic expenditure patterns with increases inversely related to the level of the revenue limit. This has produced a gradual equalization of general revenue per ADA. A district's revenue limit is funded through property tax revenues and state aid to make up the difference between the revenue limit and local taxes. State aid is composed of a constitutionally mandated flat grant of $120 per ADA, and additional general funds needed to fully fund the revenue limit. Districts with local property taxes plus basic aid grants totaling more than their revenue limit are allowed to keep the excess funds. There are approximately 50 such "Basic Aid" districts in the state. Revenue limits vary by type and size of district. The following table shows the average revenue limit for each of the 6 categories of school districts in 1990-91.

District Type	*District Size*	*ADA*	*Base Revenue Limit*
Elementary	Small	up to 100	$3,671
	Large	from 101	$2,933
High School	Small	up to 300	$4,027
	Large	from 301	$3,596
Unified	Small	up to 1500	$3,331
	Large	from 1501	$3,103

How Formula Operates:

Calculation of the Revenue Limit for School Districts. A local district's revenue limit is determined through a complicated formula described below. The annual increase in revenue limits across the state is determined on the basis of a statutory cost of living adjustment (COLA). The COLA is based on the change in personal income in the state between March 31 of the prior year and March 31 of the current year. This figure is used to determine the percentage increase in school district revenue limits for the following fiscal year (July 1 of the current year through June 30 of the next year). This percentage increase is applied to the average revenue limit for each type of district and converted to a dollar figure which is then granted to each school district of that type in the state. As a result of this calculation, high revenue limit districts receive a smaller percentage increase in their revenue limit than do low spending school districts, thus furthering equalization of spending each year. Also note that for the purposes of this calculation, large and small districts of each type are lumped together.

Basically, there are 3 steps in calculating a district's total revenue limit and state aid each year. Described below in detail, they are: (1) determination of total adjusted base revenue limit, (2) determination of local revenue or income, and (3) calculation of state aid.

Step 1. Total Adjusted Base Revenue Limit. First the *base revenue limit* is determined. This begins with the base revenue limit for the prior year.

The first step is to calculate the inflation adjustment. This adjustment is made by multiplying the statutory COLA by the statewide average base revenue limits in the prior year for each type of district. In 1990-91 the Statutory COLA was 4.76%, but appropriations were only sufficient to fund a 3.7% COLA. In sum, the final calculation of the next year's base revenue limit amount equals the current year base revenue limit plus the next year's statutory COLA.

The second step is to determine the *district ADA* that is to be multiplied by the base revenue limit. The formulas allow a district to count the greater of current or prior year ADA. In determining the revenue limit ADA, a district counts only regular ADA and concurrently enrolled ADA in adult education programs — up to the new cap on concurrently enrolled ADA. Growth in ADA over the 1982-83 base year is funded at a maximum of 105% of the statewide average base revenue limit. Thus, the major component of the *general purpose revenue limit* is equal to (1) a district's base revenue limit times its non-growth ADA plus (2) the lesser of a district's base revenue limit and 105% of the statewide average base revenue limit times any growth in ADA since 1982-83.

For many small districts, the general purpose revenue limit also includes additional funding for necessary small schools (Education Code 42238). Only those districts: (1) that have less than 2,501 ADA; and, (2) that have an elementary school with less than 100 ADA and/or a high school with less than 300 ADA; and, (3) that meet the criteria of being a "necessary" small school are eligible for this allowance.

The necessary small school allowance is based upon a combination of the school's enrollment in ADA and the number of teachers in the school for elementary schools; and the number of certificated employees in high schools. The following table shows the minimum dollar allowance for necessary small elementary schools.

Minimum Dollar Allowance for Necessary Small Schools:
Elementary Schools

Number of Teachers	*ADA*	*Dollar Allowance*
1	1-25	$ 73,600
2	26-50	147,200
3	51-75	220,800
4	76-100	294,400

For necessary, small secondary schools, the figures are as follows:

Minimum Number of Certificated Employees	*ADA*	*Dollar Allowance*
less than 3	1-20	$59,745 per teacher
3	1-20	265,860
4	21-40	325,605
5	41-60	385,350
6	61-75	445,095
7	76-90	504,840
8	91-105	564,585
9	106-120	624,330
10	121-135	684,075
11	136-150	743,820
12	151-180	803,565
13	181-220	863,310
14	221-260	923,055
15	261-300	982,800

Other adjustments to a district's revenue limit include:

1. Continuation High School Adjustment (Education Code 42243.7): Extra revenues to offset the operating costs of continuation high schools were given to the districts that had a new continuation high school approved by the California Department of Education for the first time in 1979-80 or thereafter, and for any unified district that became effective on or after June 30, 1978 that has a high school with under 300 ADA. The adjustment to the revenue limit is based on the costs of operating the continuation school in its first year of operation, and does not increase annually, regardless of how the costs of actually operating the school change.

2. Interdistrict Attendance Adjustment (Education Code 46607(b)): Since 1981-82, the district of attendance has claimed interdistrict transfer students as part of their ADA. An exception to this occurs when a district would otherwise lose over 25% of its Federal Public Law 81-874 Funds (Federal Impact Aid). In those cases, the district of residence was permitted to count the student as part of its ADA and pay a tuition fee to the district of attendance.

3. Unemployment Insurance Adjustment: The state reimburses districts for the mandated costs relating to unemployment insurance. The revenue limit adjustment is equal to the 1990-91 total expenditures for unemployment insurance for all employees, including any experience charges, minus the 1975-76 base year costs.

4. Meals for Needy Pupils Adjustment: This adjustment is only for those districts that levied the meals for needy pupils permissive override tax in 1977-78. The total adjustment in 1990-91 equaled the 1989-90 amount per meal, adjusted by the 4.76% COLA, and multiplied by the number of free and reduced price meals served in 1990-91.

5. Apprentice Adjustment: The apprentice adjustment does not have a statutory COLA. As a result, the apprentice adjustment received only a 3% COLA in 1990-91, increasing the funding level to $4.05 per hour. As in prior years, a classroom hour is defined to be 60 minutes of teaching time, including up to 10 minutes of passing time and breaks.

6. Reduction for excess regional occupational centers and programs (ROC/P) or Adult Reserves (Education Codes 52321, 52501.5) Any net ending balance in excess of 15% of the prior year ROC/P or adult education program expenditures for operation must be "recaptured" by the state.

7. Independent Study Adult Adjustment: Districts with students who are older than 20 years old or who are 19 or 20 years old and have not been continuously enrolled since their 18th birthday are entitled to independent study adult adjustments. The funding level for the ADA of adults who are concurrently enrolled is equal to the district's own adult education revenue limit. For the balance of independent study adult ADA, the funding level is equal to 166% of the statewide average adult revenue limit or $2,508.26 per ADA which is far less than a district's base revenue limit.

Finally, the total adjusted revenue limit is calculated after making 2 more adjustments to the total revenue limit, the class size penalty and PERS reductions.

- Class Size Penalties Adjustment (Education Code 41378, 41376,): Penalties are computed for excess class sizes. For Kindergarten, penalties are computed using the greater number of pupils produced either by all the enrollments in excess of 33 in each class having an enrollment of more than 33, or by the total number of pupils by which the average class size in the district exceeds 31. For grades one through three, there is no penalty if class sizes do not exceed 32 and the district average size for all the classes does not exceed 30. However, excess enrollment for classes with enrollments over 30 must be reported. If any class size exceeds 32, or the district average size for all the classes exceeds 30, the penalty is computed on the excess enrollments over 30. For grades 4-12, penalties may be computed if a district's current fiscal year average number of pupils per teacher exceeds the greater of the statewide average number of pupils per teacher in 1964 (29.9) or the district's average number of pupils per teacher in 1964.

The number of ADA lost due to class size penalties is multiplied by the base revenue limit funding level for marginal ADA — either to the district's own base revenue limit, or 105% of the statewide average base revenue limit for districts with high base revenue limits and growth in ADA since 1982-83. This amount is subtracted from the district's allocation from the state.

- PERS Reduction: A district's revenue limit is reduced by an amount corresponding to the savings that result from any reductions in the employer contribution rate for the Public Employees' Retirement System (PERS). This reduction has been in place since 1981-82.

Step 2. Local Revenue. The main source of local income is the district's share of the 1% property tax levied on both the secured and unsecured tax rolls. Property taxes are levied by each county and distributed to each jurisdiction in the county (including cities and special districts as well as school districts) in proportion to their share of the total property tax collections in the county prior to the passage of Proposition 13 in 1978.

Since the state provides a tax exemption of $7,000 per home for homeowners, the state reimburses school districts for the corresponding loss in local tax collections, and this state subvention is included in local income. Additional sources of local income include: supplemental secured roll taxes, timber yield taxes (revenues received in lieu of taxes on timber), other minor state subventions such as aircraft taxes, prior year's taxes that were delinquent in a prior year and received in the current fiscal year, releases of prior year's impounds, trailer coach fees, and 50% of a district's miscellaneous funds (payments received in lieu of taxes and revenues from royalties or bonuses).

(a) Tax Penalties. Beginning in 1990-91, all property tax penalties that were collected by a county were reported as part of a district's local income and used to offset state aid in the revenue limit calculation.

(b) SB 2557. Senate Bill 2557 (1990) authorized county governments to submit an invoice to school districts, county offices of education and community college districts for the proportional share of the costs of property assessment, property tax collection and distribution. This amounted to a new cost for local school districts, something many viewed as the first attempt to find loopholes in Proposition 98's funding guarantees.

Most districts refused to pay these charges, and filed suit against their counties. The law was repealed in 1991, but the status of the charges levied during the 1990-91 fiscal year are still being litigated.

Step 3. State Aid. The state share of a district's revenue limit is equal to the total adjusted revenue limit minus local tax receipts. However, the California Constitution requires that in no event shall state aid be less than the constitutionally guaranteed basic aid of $120 per ADA, or $2,400 per district, whichever is greater. For most districts, the state aid is equal to the difference between the total adjusted revenue limit and local tax collections.

Summer School Revenues

1. Summer School Core Programs (Education Code 42239). In 1990-91, the rate per pupil hour for the optional summer school program for core academic subjects of mathematics, science, history/social science, English/language arts, foreign language, fine arts, and computer science was increased by the 4.76% COLA to $2.10 for all districts with 500 or more pupils. Small school districts — those with fewer than 500 pupils in the prior year — receive a minimum of $5,974 under this program for providing at least 1,500 hours of summer school instruction, or a prorate amount — equal to $3.9827 per pupil hour, or almost double the usual hourly rate — for fewer than 1,500 hours.

2. Saturday Class/Year-Round Schools Programs. School districts may count hours in voluntary Saturday classes (Education Code 42239.5) or in voluntary after-school programs in multi-track year-round schools (Education Code 42239.6) towards the core academic summer school program

3. Mandated Summer School Programs. School districts are required to offer summer school programs for graduating seniors, 11th grade students who would otherwise not graduate with their class, and pupils in grades 7-12 who do not meet the district's adopted proficiency standards. The funding for these mandated summer school hours is divided into one funding rate for growth in hours over the 1983-84 base year and a different rate for non-growth hours. For mandated summer school hours in 1990-91 — up to the number of hours offered in 1983-84 — the hourly rate is the same as the district's hourly rate in 1989-90, plus the 4.76%

COLA. For any growth in hours of instruction over the 1983-84 base year, the hourly rate is the same $2.10 used for the core academic summer school programs.

The state aid share of the K-12 revenue limit is adjusted (1) in the event of a revenue limit deficit in 1990-91, (2) for the transfer of revenues for concurrently enrolled adults and apprentices, and (3) for the prior year corrections.

1. Deficits. A deficit occurs when claims for state aid exceed the amount appropriated by the state. Since 1978-79, the state has limited the state aid appropriation for revenue limits to a specific dollar amount appropriated in the Budget Act or other statute. Any revenue limit deficit is applied to a district's total adjusted revenue limit, and not just to the state aid share of the revenue limit.

2. Revenue Limit Transfer for Concurrently Enrolled Adults. After the funding for concurrently enrolled adult ADA is calculated using a district's K-12 base revenue limit and is part of the district's K-12 revenue limit, it must be transferred to the district's Adult Education fund. The California Department of Education has determined that the amount to be transferred for concurrently enrolled ADA should be equal to a district's base revenue limit minus all of the add-ons for the longer day/longer year and minimum teachers' salary reform programs as well as for small district transportation aid, Urban Impact Aid and Meade Aid, since none of these revenues were earned by adult education programs.

3. Prior Year Corrections. Any difference between the amount of state aid received during a given year and the amount of state aid which should have been received for that year becomes a correction to the following year's apportionment.

In order to ensure compliance with specific provisions of law, the California Department of Education requires that 4 certifications be signed as part of the revenue limit package submitted to the state.

1. Education Code 46202 requires that a district offer at least the same amount of instructional time in 1990-91 as it offered in 1982-83 — or lose the entire revenue limit inflation increase for the current fiscal year plus all longer day revenues folded into the base revenue limit.

2. Education Code 46200(b) requires that a district that received the $35 per ADA incentive revenue for the longer year program (i.e., by offering at least 180 days of instruction), must continue to offer at least 180 days of instruction (or the alternative calculation for year-round schools) — or lose the $35 per ADA amount (plus compounded inflation increases).

3. Education Code 46201 specifies that a district that falls below the minimum time standards for the longer day program shall lose the longer day revenues previously folded into the base revenue limit (plus compounded inflation increases).

4. Education Code 45023.4 requires that school districts that implemented the minimum teachers' salary program in prior years maintain the lowest salary on the certificated salary schedule of the last year of participation in the program or lose the minimum teachers' salary amounts folded into the base revenue limit (plus compounded inflation increases).

Calculation of the Revenue Limit for County Office of Education (Education Code 1909, 2553.5, 2558:

County offices of education are service agencies for all districts and provide instructional supervision, health, pupil personnel, curriculum, special education, and fiscal services to the districts in their county. There are 58 counties in California, each having its own office of education.

State Share: See *Step 3. State Aid* above.

Schedule of Payments. California's system for distributing funds to schools is fairly complex. Districts receive money each month from the state based on 4 principal apportionment payments.

1. Advance Apportionment. Calculated in July, it determines monthly payments for July through January. It is based on the prior year P-2 (2nd official count day) count of ADA, and is adjusted only for changes in the state's total appropriation and any changes in the statutory formulas.

2. First Principal Apportionment. Certified by February 20th, it determines monthly payments for February through May. It is based on actual P-1 (1st official count day) ADA, and estimates of taxes and other data.

3. Second Principal Apportionment. Certified by June 25th, based on actual P-2 ADA and updated estimates of taxes and other data. It determines payment for June.

4. Annual Recalculation. Certified in February of the following year along with the P-1 apportionment. It determines the prior year correction. It is based on all actual data. Corrections can be made for up to 3 years.

Local Share: See *Step 2. Local Revenue* above.

Adjustments for Special Factors: See *Step 1. Total Adjusted Base Revenue Limit* above.

Weighting by Grade Level: See *Step 1. Total Adjusted Base Revenue Limit* above.

Districts Off Formula: Because of the constitutional requirement that all districts receive a basic aid grant of $120 per ADA, it is possible that the combined total of local property tax collections and the basic aid grant will exceed a district's revenue limit. In these instances, since there is no state recapture provision, the district is allowed to keep the funds. The exact number of districts in this category varies from year to year depending on local tax collections. It is estimated that state aid to these districts amounts to less than $1 million, but total local property tax collections in excess of district revenue limits may be as high as $50 million, representing a substantial source of revenue to the state if those funds could be recaptured.

III. TRANSPORTATION

(Education Code 41850)

Funding in 1990-91: $337.4 million (2.2% of total state school aid)

Description: Total approved costs for transportation in 1990-91 were $594.7 million, of which state aid constituted $337.4 million in 3 separate student transportation programs. The state aid programs and their 1990-91 funding levels are:

Program	*1990-91 Funding Level from State Funds*
Home to School Transportation	$328.6 million
Small School District Bus Replacement	3.4 million
School Bus Demonstration Program	5.4 million
TOTAL	337.4 million

Home to School Transportation. In theory, California reimburses school districts for approved home to school transportation costs. Unfortunately, state appropriations have not kept pace with transportation costs in school districts. Thus, increases in transportation aid have been infrequent and small since 1983-84. Generally, a district's transportation aid is determined on the basis of its aid in the previous year, plus a COLA. In many years, the COLA has been zero percent. In 1990-91, the COLA was 3.0%. However, the $15.7 million increase in state transportation funds is estimated to not have kept pace with increases transportation costs, increasing the encroachment on district general funds.

In instances where a district's approved transportation costs in one year are less than 95% of its transportation receipts from the state, state aid is reduced to the percentage of approved costs actually expended, plus 5%.

Small District School Bus Replacement. Up until 1987-88, many small districts received a revenue limit adjustment because of the high transportation costs associated with operation of those districts. In 1988-89 districts were given the option of rolling these funds into their general revenue limits, or into their state transportation aid. Since school districts are allowed to make amendments that affect their apportionments for one year after the close of a fiscal year, the last day to make this decision was June 30, 1990. To fund the costs of these decisions, the state appropriated $3.4 million for 1990-91.

School Bus Demonstration Program. The state provides assistance to school districts for the purchase of new school buses. Due to funding constraints, this program is largely funded through the School Bus Demonstration Program, which requires the purchase of buses operating on alternative fuel sources. A total of $5.4 million was spent for this program in 1990-91.

Local Share: Transportation expenditures that exceed state aid must be financed out of school district general operating funds. This "encroachment" amounted to at least $260 million in 1990-91.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Leroy F. Greene Lease-Purchase Law of 1976

(Education Code, Chapter 22, Part 10)

Funding in 1990-91: $1,759.3 million (11.2% of total state school aid)

Program	*1990-91 Expenditures (millions of $)*
State Building Program (Construction and Modernization	$1,496.0
Emergency Temporary Classroom Program	65.1
Deferred Maintenance Program	76.9
Year Round-School Programs	107.5
Asbestos Abatement Programs	10.7
Federal Funds	3.1
TOTAL	$1,759.3

Description: California has operated a program to help school districts finance school construction since the late 1940s. The program used state general obligation bonds to pay for the construction of schools. These facilities were then leased to local school districts for $1 a year for 40 years. After 40 years, the school facility became the property of the district. Prior to passage of Proposition 13, this program was used as a last resort by school districts. However, Proposition 13's elimination of all ad valorem taxes, made reliance on the state more critical. Even since 1986 when local taxing districts were granted the authority to levy property taxes for general obligation bonds (Proposition 49), the state has been the largest source of funds for new school construction. In 1990, California voters approved a total of $1.6 billion in general obligation bonds to support school construction. This followed approval of a similar $1.6 billion in bonds in 1988. Even this substantial influx of new money is inadequate to fully support the estimated $6 billion in school district requests for these funds.

The Mello-Roos Community Facility Act of 1982 (Ed. Code, Sections 53311 et seq.) authorizes school districts to establish Community Facility Districts, within which bonded indebtedness may be incurred and a property tax levied. These funds may be used for building new schools or to modernize existing school facilities (Legislative Analyst, 1989:171). The principal advantage to a Mello-Roos District is that it does not have to encompass the entire school district. Since the Community Facility District can be formed to include only the area that would benefit from the planned facility, there would seem to be a greater likelihood of garnering the 2/3 majority needed for approval of the bond measure.

Since 1983, 30 school districts have held Mello-Roos elections. Nineteen (63.3%) of those were successful, accounting for over $1.0 billion in school construction funds for the 17 districts involved. Just over $370 million in Mello-Roos bond measures were rejected in 11 other district elections during the same period.

In 1978, SB 201 (Government Code 65970) authorized the levying of fees on developers of new homes for school projects. This measure was part of the response to Proposition 13's ban on ad valorem property taxes. In the early

1980s, the incidence of these fees, levied by counties and cities as well as school districts, began to increase, prompting protests from developers. In 1986, the Legislature passed AB 2926 which allowed school districts to directly levy fees on new homes as well as on commercial and industrial projects. In exchange, school districts were prohibited from levying most other kinds of fees. The fees were capped at a single state-wide rate which today amounts to $1.56 per square foot for residential projects and $0.26 per square foot for commercial and industrial projects. In addition, these developer fees must be used for school construction or modernization projects, and cannot be used for school operations.

An important element of developer fees is the "match" requirement for districts receiving building funds from the State School Building Lease-Purchase Fund. The match requires districts to contribute the amount they could receive through developer fees as their share of the school construction costs for approved projects. The procedure for determining when a district is in "the match" is complex. Generally, once a district's application has received Phase I approval, the district is "in the match" and must rebate to the state an amount equal to the amount which could have been collected if the maximum allowable developer fees had been imposed on all projects in the district. This match condition lasts until the district receives its certificate of occupancy for the school facility. There are some exceptions to the match requirement. For example, with approval from the Office of Local Assistance, a district can deduct from the match requirement certain costs of interim portable classroom facilities while they are waiting for approval and construction of a school. The match also may be temporally suspended if the district has fully qualified to move to the next phase but the state runs out of bond funds and cannot meet its obligations (CASBO, 1989:3). Districts that do not collect developer fees, or that impose fees lower than the maximum allowed by law must still provide the full match from local funds.

Districts that don't participate in the State School Facility Lease-Purchase program may use all of the developer funds they receive for their own construction needs. A number of large districts have opted to construct schools solely with local resources, and as a result, keep all of their developer fees for local construction. A number of other districts use a variety of methods to fund school construction, financing some projects through the State School Building Lease-Purchase Program and others through local sources. Unfortunately, there is no accurate data on the number of schools that are built in California without state assistance, although officials estimate that there are some 200 districts currently planning or constructing school facilities who are not part of the State School Building Lease-Purchase Program. The Office of Local Assistance is in the process of conducting a statewide accounting of all public school facilities.

Emergency Temporary Classroom Program. This program allocates funds for the acquisition, installation, and relocation of portable classroom facilities, including furnishings, to be rented to districts with overcrowded schools. There were approximately 6,100 portable classroom available for rent through the state in 1990-91.

Deferred Maintenance Program. This program provides matching assistance to local school districts for deferred maintenance. Districts are eligible for matching funds up to 1/2 of 1% of their general fund budget for these programs.

Year-Round School Incentives. School districts that increase their enrollment capacity through the use of year-round education are eligible for both one-time implementation grants and annual operating grants. Under the operating grant program, school districts which accommodate through the use of year-round operations additional enrollment equal to at least 5% of each applicant school's capacity (using a traditional, nine-month calendar) are eligible to receive incentive funding. The program is intended to "share" with such districts between 50% and 90% (depending upon the percentage of "excess capacity" accommodated) of the state's avoided costs from not building a new school facility, based on a "statewide average" cost of land, construction, and financing. In exchange for receiving funding, school districts must withdraw any requests for state school facilities aid to build new facilities for the number of pupils accommodated through year-round operations and claimed for payment.

Under the implementation grant program, school districts may receive one-time grants of $25 per pupil (not to exceed $100,000 per school site) to help defray the costs of school-site conversion to year-round education.

To be eligible for either type of grant under the Chapter 1261 program, each school district must demonstrate that (1) there is "substantial overcrowding" in the school district or its high school attendance areas, (2) the district will use the grants to implement or operate year-round education, and (3) the district is eligible for state assistance to build new schools under the Lease-Purchase program.

V. TEACHER RETIREMENT

Funding in 1990-91: $47.7 million (less than 1.0% of total state school aid)

Description: The retirement program for certificated staff is the State Teachers Retirement system (STRS). In 1990-91, the state provided $47.7 million for the state teachers' retirement system; these funds mainly cover an unfunded liability from previous decades and inflationary increases to maintain the purchasing power of current retirees. In addition, local educators contribute about 8.33% of their salary to the state teachers' retirement system, and local districts contribute an additional 8.4%. Members of STRS do not participate in FICA.

Classified Employees participate in California's Public Employee's Retirement System (PERS). The system is funded by employer and employee contributions of 7.5% of salary each. PERS members do participate in FICA.

VI. SPECIAL EDUCATION

(Education Code 5600)

Funding in 1990-91: $1,682.5 million (10.8% of total state school aid)

Description: Pupils receive services through the Master Plan for Special Education, the state's comprehensive program for ensuring that all children with exceptional needs receive, free of charge, the education and services necessary to meet their unique needs (SB 1870). Under this plan, school districts and county offices administer services through regional organizations called Special Educational Local Plan Areas (SELPAs). Each SELPA adopts a plan that details how it will provide special education services for its districts. Each SELPA consists of a single district (if of sufficient size) or a group of districts — often in conjunction with the county office of education.

School districts and county offices receive reimbursement for special education costs on the basis of: (1) current level of services, (2) costs incurred in 1979-80, adjusted for inflation, (3) a fixed Local General Fund Contribution totaling $256.3 million statewide in 1990-91, (4) federal aid, and (5) local property taxes which are part of the base revenue limit. Funding is provided for about 9% of all pupils in the state. Funding is conceptually unit-based, with funding determined by the type of instructional setting, called Instructional Personnel Service Units (IPSUs).

State Share: State aid comes from several appropriations. The major appropriation is for instructional programs, and there are other, separate appropriations for: regionalized services and program specialists, the Low Incidence Fund; and the Longer Day/Longer Year program for special day class ADA served by county offices of education. Each district and county office receives state aid under an entitlement-based formula for the services it provides.

1. Instructional Program Entitlement. Funds all instructional services and nonpublic school placements.

- *Instructional Personnel Service (IPS) Entitlement:* this is the number of special day class, resource specialist, or designated instruction and service units operated times the unit rate for each IPS unit

- *Extended Year Entitlement:* based upon the number of extended year units that are operated and on the number of days in the extended year program

- *Support Entitlement:* funds the direct and indirect support costs for special education programs which include identification and assessment services; program equipment and supplies; and administration and overhead. The amount is computed on a percentage or ratio basis. The support service ratios (SSRs) are multiplied by the 1990-91 entitlement for non-severely handicapped and severely handicapped IPS units and for extended year units to determine the 1990-91 amount for support services. The average SSRs for non-severely and severely handicapped programs are .04362 and .5412, respectively.

- *Nonpublic School Entitlement:* equal to 100% of the excess cost of nonpublic placements for most pupils in licensed children's institutions or foster family homes, and 70% of the excess cost for all other nonpublic school placements.

2.Administrative Unit Entitlement.

- *Regionalized Services and Program Specialists:* For the administrative unit of a local plan area, a separate entitlement is computed for (a) the regionalized services of administration, data collection, evaluation, personnel development and curriculum development and (b) program specialist who supervise the program, consult with the instructional personnel, and ensure that all pupils with exceptional needs are properly served.

- *Low Incidence Fund:* is an allowance for specialized books, materials, and equipment for pupils with low incidence disabilities. It can also be used to repair or maintain previously purchased equipment.

3.County Longer Day and Longer Year Entitlement. This program provides the incentive funding for the longer day and longer year programs for ADA in county-operated special day classes.

Local Share: $423.3 million in local matching funds are required for various programs. Local districts do spend more than the required match from their own resources to fully fund special education programs.

Extent of Participation: All districts either receive special education aid directly or participate in a special education local area plan (SELPA) and thus receive aid.

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $296.3 million (1.9% of total state school aid)

Description: Compensatory education programs are funded through the General Fund and through federal funds. The state General Fund supports Economic Impact Aid (EIA), the Miller-Unruh Reading program, the native American Indian Education program, and Indian education centers. Federal funds provide resources through the Education Consolidation and Improvement Act (ECIA) Chapter 1, and federal refugee and immigrant programs. EIA provides funds to school districts with high concentrations of children who are poor, educationally disadvantaged, or have limited proficiency in English. These funds are used to (1) supplement educational services, particularly in basic skills, for children who have difficulty in reading, language development, or mathematics, and (2) provide bilingual education programs (EIA-LEP) for children who are classified as limited English-proficient (LEP).

State Share: Funding for the EIA program is distributed according to 2 formulas. The primary formula, which is used by SDE to allocate approximately 91% of the EIA funds, involves a complex multi-step process which (1) determines statewide and district share of "gross need" and (2) allocates available resources based (a) on maintaining at least 85% of each district's prior-year funding level and (b) using any remaining funds to address "unmet needs." This primary EIA funding formula is based on the sum of the number of children ages 5 to 17 who are from families receiving Aid to Families with Dependent Children (AFDC) and the number of pupils with limited English proficiency. Adjustments for enrollment growth are based on actual growth in these populations between the past year and the current year. In 1990-91, $271.6 million from the General Fund was funded for the EIA program.

Local Share: Districts are not required to contribute to compensatory education programs. Not all districts receive compensatory education aid.

VIII. GIFTED AND TALENTED EDUCATION

(Education Code 52200 to 52213, 62000.11, 62007; AB 474)

Funding in 1990-91: $29.4 million (less than 1.0% of total state school aid)

Description: California public elementary and secondary schools provide unique opportunities for gifted and talented students who are identified as possessing demonstrated or potential abilities that give evidence of high performance capability. The legislature requires that programs include (1) differentiated opportunities for learning commensurate with the gifted and talented pupil's particular abilities and talents, (2) alternative learning environments in which gifted and talented pupils can acquire skills and understanding at advanced ideological and creative levels commensurate with their potentials, (3) elements that help gifted and talented pupils develop sensitivity and responsibility to others, (4) elements that help to develop a commitment in gifted and talented pupils to constructive ethical standards, (5) elements that assist gifted and talented pupils to develop self-generating problem-solving abilities to expand each pupil's awareness of choices for satisfying contributions in his or her environment, and (6) elements that help gifted and talented pupils develop realistic, healthy self-concepts.

State Share:	*Number of GATE students*	*State Aid/year*
	1-10	$270 per pupil
	11-25	$248 per pupil
	26-50	$210 per pupil
	>50	$6.44 x District ADA

Local Share: Local districts are responsible for costs that exceed the state reimbursement if they incur them.

Extent of Participation: In 1990-91, 270,000 K-12 students participated in GATE in 676 school districts. This represents 5.5% of all K-12 students and 67% of all districts in California. 64% of the participating students are White, followed by 14% of Asian and Hispanic, respectively, and the remaining 8% includes Black, Filipino, American Indian, and Pacific Islander.

IX. BILINGUAL EDUCATION

See Section VII — Compensatory Education.

X. OTHER CATEGORICAL PROGRAMS

Although all districts are eligible for the programs described in this section, they do not all participate either because they do not qualify, or they choose not to participate.

School Improvement Program (SIP)

Funding in 1990-91: $315.0 million (2.0% of total state school aid)

Description: The School Improvement Program provides assistance to schools for locally determined improvement projects. School sites must submit a plan to the state indicating what they plan to do with the funds and how they will be used. Each school must have a site advisory council to help in the planning. This council must include parents, teachers, and the principal. Funds are distributed to schools on the basis of their applications and available funds, although once a school receives the funds, the grant becomes an annual occurrence. Most schools in the state currently are participating in the program.

Instructional Materials

Funding in 1990-91: $128.9 million (less than 1.0% % of total state school aid)

Description: This program provides support for the purchase of instructional materials for grades K-12. Instructional materials grants are distributed on the basis of district ADA.

Mentor Teacher Program

Funding in 1990-91: $65.5 million (less than 1.0% of total state school aid)

Description: The mentor teacher program was established by SB 813 as part of an effort to upgrade the teaching profession. The measure authorizes experienced teachers with exemplary teaching ability to serve as "mentors" to other teachers, particularly new teachers, and provides for each mentor to receive a stipend of approximately $4,300 annually (adjusted for inflation) for performing this additional work. In addition, a stipend of $2,150 per mentor teacher is provided to school districts to provide support including travel funds, substitute teacher time and other support functions.

Vocational Education Programs

Funding in 1990-91: $253.7 million (1.7% of total state school aid)

Description: Vocational programs include Regional Occupational Centers/Programs (ROC/P), school-based programs, agricultural education, student organizations, and special-purpose programs, such as Partnership academies and JTPA matching programs.

School Desegregation Programs

Funding in 1990-91: $503.0 million (3.2% of total state school aid)
424.8 million for court-ordered desegregation and
78.2 million for voluntary desegregation.

Description: State reimbursement of school desegregation costs is not required by the California Constitution. However, under the provisions of current law, the state reimburses school desegregation programs. These reimbursements are funded from the General Fund based on claims filed by school districts.

Extent of Participation: 12 school districts receive reimbursement for court-ordered programs, and 42 school districts receive reimbursement for voluntary programs.

Supplemental Grants

Funding in 1990-91: $185.4 million (1.2% of total state school aid)

Description: This program is unique to California. The largest new program funded as a result of legislation implementing Proposition 98 in 1989, Supplemental Grants are categorical grants that districts qualify to receive if they have low revenue limits and receive few other categorical funds. In other words, a district's supplemental grant funding is inversely related to its receipt of other categorical funds. Sometimes referred to as categorical equalization (or by its original proposed name of Program Improvement Grants or "PIGs"), districts receive additional revenues if they have below-average revenues per ADA from a combination of their revenue limit and funding for 26 specified categorical programs.

Formula: Each district's entitlement for Supplemental Grants in 1990-91 is calculated as follows:

1. Determine the district's combined revenues from the 1990-91 total revenue limit and from the 26 categorical programs listed below, and divide the sum by the district's 1990-91 ADA at the second official count day.
2. Compute the entitlement per ADA for Supplemental Grants. This is equal to (a) the 1990-91 statewide average revenues per ADA for the same size and type of district; minus (b) the district amount per ADA determined in the first step, but in no event greater than $103 per ADA — equal to the 1989-90 maximum grant of $100 per ADA increased by the 3.0% COLA for this program in 1990-91.
3. Multiply the district's entitlement per ADA by the 1990-91 P-2 ADA (2nd official count day for ADA), and then by a deficit proration factor (if necessary to ensure that statewide total grants do not exceed the $185.4 million appropriation in 1990-91).

Child Nutrition

Funding in 1990-91: $53.2 million (less than 1.0% of total state school aid)

Local assistance: General Fund — $51.7 million; federal funds — $654.2 million
State operations: General Fund — $1.5 million; federal funds — $8.0 million

Description: The Department's Office of Child Nutrition Services administers the state child nutrition and Pregnant and Lactating Students programs. It also supervises the federally funded National School Lunch and Breakfast programs and the Child Care Food program. These programs assist schools in providing nutritious meals to pupils, with emphasis on providing free or reduced price meals to children from low-income households.

Child Development

Funding in 1990-91: $362.7 million (2.3% of total state school aid)

Total Funding — $365.5 million; General Fund — $362.7 million; federal funds — $2.8 million
Local assistance — $360.4 million; State operations — $5.1 million

Description: The Child Development Division (CDD) within SDE administers a variety of subsidized child care and development programs which provide services directly to children from low income families and to those with special needs. The major goals of these direct service programs are to (1) enhance the physical, emotional, and developmental growth of participating children, (2) assist families to become self-sufficient by enabling parents to work or receive employment training, and (3) refer families in need of various support services to appropriate agencies. The CDD also administers several programs which provide indirect services such as capital outlay, child care referrals to parents, and training for providers.

Local Share: Local general fund assistance was $360.4 million.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $40.9 million (less than 1.0% of total state school aid)

Description: Prekindergarten consists of a variety of programs, generally similar to Headstart in purpose. These programs vary by district.

XIII. LOCAL SCHOOL REVENUE

Local governments in California collect taxes on property and sales as well as other charges and fees. Local governments do not levy income taxes. Intergovernmental revenue from state and federal sources consist of 45% of local revenues. Approximately 25% of local revenue comes from charges and miscellaneous sources. The remaining 30% is made up of taxes, of which two-thirds are property taxes.

The major source of local revenue for school districts is the property tax. Since the passage of Proposition 13 in June 1978, property tax levies are constitutionally limited to 1% of assessed value plus debt service obligations in place at the time of Proposition 13's passage. In addition, levies for debt service approved by two-thirds of a districts' voters have been allowed since the passage of Proposition 49 in 1986. Other than these levies for debt service, ad valorem taxes in excess of 1% of assessed value are constitutionally prohibited under Proposition 13.

Assessed value is defined in the constitution as the assessed value of a property in 1975-76 with inflationary increases limited to no more than 2% a year. All property is reassessed at market value when it is sold or otherwise changes hands. This process results in substantial disparities in the taxes paid by similar properties. These differences are based solely on the length of time since the property was last sold. Property taxes are levied on a county-wide basis and the revenues raised are distributed to local governments within each county on the basis of the proportion of total county tax receipts at the time of Proposition 13's passage.

Beginning in FY 1987, after the passage of Proposition 49 in 1986, school districts were given access to two new revenue sources, both for capital construction: (1) a bonded indebtedness property tax levy if approved by two-thirds of the voters; and (2) and a fee on newly developed property (up to $1.56 per square feet for residential and up to $.26 per square foot for commercial property) that can be levied by local school boards without voter approval.

Taxpayers who are blind, elderly homeowners and renters (62 years old or over), or totally disabled homeowners and renters, with the total household income under $13,200 are eligible for state-financed circuit breakers. All homeowners and disabled veterans are eligible for homestead exemptions if assessed value of the owner-occupied house is under $100,000.

XIV. TAX AND SPENDING LIMITS

Property tax levies are constitutionally limited to 1% of assessed value and distributed to school districts on the basis of a legislatively determined formula that provides funds to each district in proportion to the share of county property taxes the district received prior to Proposition 13's passage. Districts can levy special taxes for the purpose of paying for general obligation bonds if they gain a two-thirds super-majority vote. They are constitutionally prohibited from levying other ad valorem property taxes. Such taxes may not preempt existing state taxes (e.g., sales, personal income, etc.).

In addition to the Proposition 13 limitations, state spending is theoretically limited by the Gann Spending Limitation. Passed as Proposition 4 in 1979, this measure constitutionally limits increases in state general fund expenditures to no more than the growth in state population plus the growth in California personal income. Prior to the 1990 passage of Proposition 111, which made significant changes in both the Gann limitation and Proposition 98, the inflation factor in the Gann limitation was the lesser of the growth in the CPI-U or personal income, but Proposition 111 changed the measure to personal income, which has historically tended to be slightly higher. Proposition 111 also changed the population growth factor used to calculate the Gann Limit, splitting the growth into two components, 40% based on the growth in school aged children, and 60% on the basis of total state population. Since the school age population in California is growing faster than overall population, this figure increases the amount of spending allowed under the Gann Limit. The 40-60 split is related to the Proposition 98 requirement that approximately 40% of the state's general fund budget be spent on K-14 education. Although the Gann Limit appears imposing, the state has only exceeded the limitation once since 1979, and the severe budget shortfall in 1991-92 precludes the likelihood of the state reaching the Gann Limit any time during the next decade.

XV. EARMARKED STATE REVENUE

The California State Lottery was established by the voters in 1984. The initiative measure stipulated that a minimum of 34% of the lottery's receipts must be used to fund education, and that the funds must supplement existing state allocations to education. The Lottery has never provided more than 4% of the total funding for the state's schools, and in 1990-91 provided school districts, community colleges and the state's public colleges and universities a total of $763.3 million. At the K-12 level, this amounted to $116 per ADA, down from the $156 per ADA that lottery receipts provided the previous year.

COLORADO

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The Colorado description discusses the education finance system for the 1992-93 school year.

I. GENERAL BACKGROUND

State

- Colorado's current school funding formula was created with the passage of the School Finance Act of 1988, which differed radically from the prior power equalization approach. It took effect in calendar year 1989, and has been modified by legislation in 1990, a 1991 special session, and 1992.
- The 1988 Act was passed in part because of the threat of a pending lawsuit, but the suit was withdrawn once the act was passed. No current lawsuits are pending, and no significant school finance litigation has been decided since *Lujan* v. *Colorado* in 1982 (649 P.2d 1005).
- At the time the act was passed, about 43% of school finance expenditures (which amount to more than 90% of operating expenditures) came from state aid. One of the goals of the act was to reduce dependence on the property tax, and the state share has risen every year since the Act was passed. In 1992-93, the state share of school finance spending will rise to 55.5%. All school districts are required to levy the same tax rate (known as the "uniform mill levy," currently around 40 mills); to the extent that this is insufficient to meet authorized spending levels, state aid makes up the difference. For any given school district, the state share varies from 90% to 0%, depending local assessed value per-pupil.
- State support for schools comes from the General Fund (predominantly income and sales taxes) and School Lands and Mineral Lease revenues, which are dedicated to school support.

Local

- Currently (as of October, 1991) there were 587,672 K-12 students in 176 independent school districts. All districts are responsible for grades K-12. In addition, there are 20 Boards of Cooperative Educational Services (BOCES), which afford school districts a mechanism for joint service provision. These are most commonly used for special education among smaller and rural school districts, but are authorized to engage in a broad range of services among cooperating districts.
- The local share of funding comes from the property tax. This is the only tax school districts are permitted to levy.

Funding Summary, 1992-93 (Estimated)

Total State School Aid (All Programs)		$1,443 million
Grants in Aid	1,443 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue		1,133 million
Total Combined State and Local School Revenue		2,576 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Funding in 1992-93: $1,319.1 million (91.4% of total state school aid)

Nature of Program: Foundation program known as the School Finance Act of 1988. Title 22, Section 53, Colorado Revised Statutes (C.R.S.)

Units: A combination of pupils and instructional units, based on average daily membership. Membership is counted in October and February of each year, with the average of the two taken as the pupil enrollment.

Local Fiscal Capacity: Assessed property valuation.

How Formula Operates: All school districts are placed by statute into 1 of 8 "setting categories". School district formula revenues are calculated based on 3 per-pupil funding factors, and 5 per-unit funding factors. Two of the per-pupil factors are uniform for all districts, but the other 6 factors vary by setting category. Total funded pupil count is divided by an "instructional unit funding ratio" (IUFR) which also varies by setting category.

Funding is calculated as follows:

Total per-pupil funding = Funded pupil count x sum of per-pupil factors

Total per-unit funding = Funded pupil count/IUFR x sum of per-unit factors

Total district formula funding = Total per-pupil funding + Total per-unit funding

Funding Component Values for 1992-93

Enrollment, defined as average daily membership on the school day nearest to October 1 and February 15, is counted each year and the 2 counts are averaged. The funded pupil count is either that total or the average of that total and the prior year funded pupil count, whichever is greater. For districts with less than 500 pupils, certain adjustments are made if the average of the 2 years is less than 90% of the prior year total. Funded pupil count is always taken from the prior year: for example, the 1992-93 funding is based on counts taken in October of 1991 and February of 1992.

Beginning on July 1, 1992, all school districts operate on an a July 1-June 30 fiscal year, paralleling the state fiscal year. School districts previously operated on a calendar fiscal year like other local governments; to make the transition, they had a short fiscal year (January 1-June 30, 1992), known as the Transitional Fiscal Year (TFY).

No weighting or other adjustments (other than the "smoothing factor" described below) are made to this formula amount, as assignment to a setting category is presumed to incorporate most factors related to cost of education. This has been a controversial feature of the Act, and Legislative Council staff have been directed to study both the assignments to the setting categories and the categories themselves in the 1992 interim. The results of their study and recommendations for change are to be ready for the 1993 legislative session.

Funding Component Values for 1992-93

Setting Category	Core City	Denver Metro	Urban/ Suburban	Outlying City	Outlying Town	Rural	Recreational	Small Attendence
Instructional Unit Funding Ratio	16.6	18.0	17.8	16.5	15.1	12.8	14.4	7.0
Per-Pupil Funding								
Instructional supplies and materials	$111	$111	$111	$111	$111	$111	$111	$111
Instructional purchased services	14	39	56	84	87	115	47	204
Capital Reserve/ Insurance	202	202	202	202	202	202	202	202
Total per-pupil Funding	327	352	369	397	400	426	360	517
Per-Unit Funding								
Instr. Salaries & Benefits	42,803	43,703	39,737	36,203	33,803	31,403	39,203	31,403
Pupil Support Services	2,380	1,910	2,635	1,690	1,575	1,290	2,815	1,290
School Administration	5,896	5,336	4,626	4,471	4,246	3,306	5,181	2,036
Operations & Maintenance	8,532	9,592	7,977	7,617	7,647	7,212	8,542	6,447
District Support Services	10,986	9,371	8,546	8,311	8,566	11,096	10,381	10,921
Total Unit Value	70,597	69,942	63,521	58,292	55,837	54,307	66,122	52,097
Total Funding Per Pupil	4,580	4,238	3,938	3,930	4,098	4,671	4,952	7,959

Funding levels for each setting category factor were based on the average historical expenditure for each district in the category, adjusted for inflation. From 1989 through 1991, districts whose per-pupil expenditure was below formula levels were allowed to increase spending rapidly, while districts above these levels were held harmless at their current per-pupil level for current enrollments. (Enrollments above their historic base were funded at formula levels, thus gradually reducing their average per-pupil funding). In 1992-93, 25 districts will be held harmless, and none will be below formula.

State Share: The state share is the difference between formula level of funding and the amount of local property tax revenue raised by the uniform mill levy, assuming 100% collection of taxes. All investment revenues from funds derived from the sale or lease of school lands and the school district share of federal mineral lease revenues are collected centrally by the state and dedicated to school finance. In 1992-93, this amounts to $54 million. The remainder of the $1,332 million in school finance comes from the general fund and certain one time revenues associated with the transition from a calendar fiscal year to the state fiscal year. The additional revenues were created by assuming collection of the entire calendar 1992 property tax revenue during the 6 month transitional fiscal year. These one-time revenues, amounting to about $202 million, will need to be replaced by new general fund revenues in 1993-94 merely to keep total funding per-pupil at its current level.

Local Share: Each district is required to impose the uniform mill levy; the uniform rate for 1992-93 is to be set at that rate which will raise sufficient property tax revenue in the aggregate to constitute 45.5 % of the total program. In 1992-93, that rate is 40.525 mills, and total property tax revenues (including hold harmless and categorical buyout — see below) are expected to be $1,078 million. For 1993-94 and thereafter, local share is set at 45% of total program. Additional local revenues, such as automobile ad valorem taxes (known as "specific ownership taxes") or federal impact aid, are not counted as part of local effort; however, the legislature may consider including them as part of local share next session. If a district imposes less than the uniform mill levy, its state aid is reduced proportionately.

Weighting by Grade Level: Kindergarten and pre-K students are weighted at 0.5 FTE.

Adjustments for Special Factors:

1. *Hold harmless.* If a district is held harmless, the amount by which the hold harmless level exceeds the formula is raised by an additional levy added to the uniform mill levy rate. For example, if a district budget determined by formula were $10 million, and the uniform mill levy raised $4 million, the district would receive $6 million in state aid. If, due to the hold harmless provisions, its actual budget were $11 million instead, it would still receive the $6 million in state aid. However, its uniform mill levy would be increased to where it raised $5 million instead of $4 million, so that the entire hold harmless amount would be locally generated. In theory, as inflation adjustments are made to the formula, formula funding will gradually rise to the point where there are no more hold harmless districts. At current rates of increase, however, some districts will be held harmless for several years more.

2. *Categorical buyout.* If a district's assessed value is so high that the uniform levy would actually raise more than the formula amount, the levy is adjusted downward. In that case, the amount which the district would otherwise receive from all other state aid (such as special education or transportation) is calculated and the mill levy rate is increased enough to raise that amount as well, provided that the new rate is still at or below the uniform rate. In 1992-93, 12 districts will raise in total $2.2 million in categorical buyout funds.

Note: Some districts are both categorical buyout and hold harmless districts, because their traditionally high level of assessed valuation per pupil led them to spend more than other districts in the same setting category. Seven districts fall into both categories; in addition, 5 more are categorical buyout districts and 18 more are hold harmless districts.

3. *Smoothing factor.* Two setting categories — rural and small attendance districts — are identical except for enrollment levels. Small attendance districts have less than 150 pupils, while rural districts have 150-300. Districts may move automatically from one funding category to another as enrollment varies from year to year. Because per-pupil formula funding in rural districts is $4,671, while it is $7,959 in small attendance districts (1992-93 levels), there could be a large swing in funding as districts move from 1 category to another.

In order to avoid this, a "smoothing factor" is applied to rural districts, which has the effect of increasing their per-pupil funding for each pupil below 300.

Districts Off Formula: In all, 30 districts out of 176 are off the formula for some reason. Eighteen districts have per-pupil funding greater than the formula (with a concomitant increase in their mill levy), 5 districts have mill levies below the formula, and 7 districts have both above formula per-pupil funding and below formula mill levies.

III. TRANSPORTATION

Funding in 1992-93: $32.7 million (2.3% of total state school aid)

Description: Approved transportation costs are funded at 37.87 cents per mile, plus 33.87% of the amount by which those costs exceed the mileage reimbursement. Approved costs exclude purchase or lease of vehicles or other capital outlay. Approved costs include fuel and oil; maintenance and repair of vehicles, equipment, and facilities; costs of employment for drivers, supervisors, and support services; insurance; contracted services; reimbursements to students who use public transportation; and transportation for special education and vocational programs. (C.R.S. 22-51-102 et.seq.)

State and Local Shares: State reimbursement may not exceed 90% of a district's operating expenditures for transportation, regardless of the formula. Local share is whatever remains after state reimbursement. A district may impose an additional mill levy, subject to voter approval, to raise its share of transportation costs. If the appropriation is insufficient to fund the total amount required by formula, districts receive a pro rata share of their funding. In 1992-93, districts will receive 79% of their formula amount.

Extent of Participation: 175 districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

School districts are required to budget at least $202 per-pupil out of their equalized formula funding for capital outlay and insurance, (including self-insurance). However, the state does not provide any additional funding for capital outlay. Most capital needs are met through the sale of voter approved bonds; the levy to pay principal and interest on such bonds is in addition to the uniform levy and local overrides, and is exempt from tax and spending limitations.

V. TEACHER RETIREMENT

Teacher retirement is funded as part of local budgets. All districts except Denver are members of the Public Employees Retirement Association (PERA) which also covers state employees and many county, municipal and special district employees. Teachers contribute 8% of salary, while districts pay the remaining 11.6% (employer contribution rate was changed effective July 1, 1992).

VI. SPECIAL EDUCATION

Funding in 1992-93: $53.4 million (3.7% of total state school aid)
Includes $4.8 million for Colorado School For the Deaf and Blind [CSDB].

Description: By statute, the state is required to pay 80% of most special education costs, including salaries of teachers, administrators, therapists, social workers, and other care givers; equipment; evaluation; training; contracted services; mileage; and costs of educating children from other districts placed in residential programs in that district (to the extent those costs are not paid by the sending district).

State and Local Shares: State funding has never been adequate to meet the full cost of the statutory state share. In 1992-93, state funding will be equal to about 33% of its share, or about 25% of total special education costs. If a student is enrolled in CSDB (as either a day student or a residential student), the sending school district counts that student as part of its enrollment for funding purposes. It then forwards to CSDB its per-pupil operating revenues for that student. The state appropriates directly to the school the difference between the amounts paid by the districts and the total budget needed for the school; in 1992-93, this amounts to $4.8 million.

Extent of Participation: 176 (All school districts receive some special education funding, either directly or via their participation in a BOCES).

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

The state department of education provides some technical assistance in curriculum development, but there is no state funding to school districts for this purpose.

IX. BILINGUAL EDUCATION

Funding in 1992-93: $2.6 million (less than 1.0% of total state school aid)

Description: English Language Proficiency Act (CRS 22-24-101 et. seq.). Pays for up to 2 years of additional service to children whose dominant language is not English, amounting to the greater of $400 or 20% of the statewide average per-pupil operating revenues for the prior year, whichever is greater. Seventy-five percent of the appropriation is to be used for this purpose. (These are known as "A/B" students in a reference to the sections of the act). The remainder of the appropriation is to be used for bilingual or multilingual students whose dominant language is difficult to determine. These students are to be funded at the greater of $200 or 10% of the statewide average per-pupil operating revenues for the prior year. (These are known as "C" students).

State and Local Shares: The local share is whatever remains after state payments. If state funding is insufficient to meet formula costs, payments to districts are prorated. In 1991-92, the formula amount per A/B student was approximately $361. Because the appropriation has remained flat for the past several years, actual payments were $240 per A/B student and $265 per C student.

Extent of Participation: 85 districts in 1991-92. There were 8,123 A/B students and 2,448 C students.

X. OTHER CATEGORICAL PROGRAMS

Increasing Enrollment Categorical Aid

Funding in 1992-93: $20.1 million (1.4% of total state school aid)

Description: Part of School Finance Act (CRS 22-53-116) The funded pupil count is always based on a prior year count; for example, for the 1992-93 fiscal year, funding is based on counts taken in October 1991 and February 1992. This program provides additional aid to rapidly growing school districts.

If a district's count taken during October of the current year exceeds the prior year funded pupil count by the lesser of 3% or 350 pupils, then the district receives additional funding for each pupil of increase over this threshold amount. The aid is equal to two-thirds of a specified fraction of the formula per-pupil funding for that district. The fraction varies by setting category, but for most districts amounts to about 80% of their formula per-pupil funding.

State and Local Shares: All state funded. If state funding is insufficient to meet formula costs, payments to districts are prorated. In 1992-93, the appropriation provides 100% of estimated district entitlements.

Extent of Participation: Current estimates indicate that 80 districts will receive funding in 1992-93.

Special Contingency Reserve

Funding in 1992-93: $2.2 million (less than 1.0% of total state school aid)

Description: Part of school finance act (CRS 22-53-124). Districts are reimbursed for uncollectible property taxes and other unforeseen contingencies. Districts make application to the State Board of Education, and it provides awards in its discretion within the limits of the appropriation. Most commonly, districts receive aid because of a large corporate taxpayer entering Chapter XI proceedings, or because a large taxpayer had a prior year assessment and payment overturned in court proceedings.

State and Local Shares: Entirely state funded. In 1992-93, the appropriation is sufficient to pay 100% of estimated claims.

Extent of Participation: 13 districts received aid in 1991-92.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

In the 1992 general election there will be an initiative proposing a voucher system of school funding on the general election ballot. If approved, the voucher proposal would require that all funds currently spent for public K-12 education would be evenly divided among all K-12 students in the state, public and private.

XII. PREKINDERGARTEN EDUCATION

Funding in 1992-93: $12.9 million (less than 1.0% of total state school aid)

Preschool programs are not considered categorical aid, and funding for them is normally counted as part of the basic equalization program. Although it is broken out here for the sake of consistency, Colorado publications on school finance generally include this amount in the basic equalization total, and it is appropriated that way in the general appropriations act.

Description: As part of the School Finance Act, handicapped 3-and 4-year-olds, and 4-and 5-year-old children at risk of school failure are included in the enrollment count. Handicapped children are included without limitation, while enrollment in the at-risk program has been capped at 2,750 pupils through 1991-92. Starting in 1992-93, districts may enroll additional children in the at-risk program subject to available resources. However, there are no funds for expansion of the program beyond its current level in the 1992-93 budget. Preschool programs may be provided directly by a district, or the district may contract with public (such as Head Start) or private providers.

State and Local Shares: Preschool children are weighted at 0.5 FTE. State share varies, since these pupils are in all other respects funded the same as all other students in the basic program.

Extent of Participation: 142 districts have handicapped preschool enrollment, and 60 have at-risk programs.

XIII. LOCAL SCHOOL REVENUE

(estimated 1992-93 revenues)

Uniform mill levy	$1,078.0 million
Optional local mill levies	55.3 million
School district share of specific ownership tax	86.5 million
Total local tax revenues	1,219.8 million

The property tax is the only tax local districts are allowed to use. In 1992-93, it is expected to raise $1,078 million (including categorical buyout and hold harmless funding). In addition, local districts may, with voter approval, supplement their formula funding with an additional local levy not to exceed the greater of 10% of their formula funding or $200,000. (This limit takes effect in 1992-93; in previous years, the limit was 7.5% of total funding). With voter approval, a district may also impose an additional levy to cover the local share of transportation costs. Beginning with the 1993 property tax collection cycle, a district may impose (upon approval by the school board) an additional levy of up to two mills for up to four years to pay the costs of asbestos and hazardous material removal, and to pay the costs of compliance with the Americans with Disabilities Act. The maximum revenues collected by this levy cannot exceed total costs incurred, but may include costs incurred prior to the imposition of the levy.

Twenty school districts have adopted local option mill levies, raising an estimated $55.3 million statewide. Only 1 district has adopted the local option transportation levy. Since the asbestos/ADA mill levy only takes effect with the 1993 property tax year, it is not possible to estimate how many districts will enact it nor how much it will raise.

In addition to the property tax, each county collects an annual ad valorem tax on all registered vehicles. These revenues are distributed pro rata to counties, cities and school districts in each county; these funds are not equalized and not counted as part of local effort. In calendar year 1990, these funds amounted to $86.5 million statewide, or an average of $194 per funded pupil. School districts received approximately 58% of total collections.

Commercial and industrial property is assessed at 29% of market value, with special provisions for agricultural property (assessed at 29% of use value), producing mines and mineral property (generally assessed at 29% of some fraction of annual production) and vacant land. Residential property is assessed at a floating rate (currently 14.34% of market value), adjusted biennially to ensure that residential property makes up the same percentage of total assessed value that it did in 1985 (Colorado Constitution, Article X, Section 3).

County assessors determine the value of property in each of the 63 counties, except that utilities and certain large industrial and commercial properties are centrally assessed by the Division of Property Taxation in the state Department of Local Affairs. All property is required to be reassessed every other year. In the intervening year all property may be reassessed upward if values rise more than 10% statewide. Property assessments are based on actual value in the year prior to assessment, and taxes are payable in the year following assessment. Thus property taxes collected in 1992 are levied on assessments done in 1991 which were based on values as of June 30, 1990. County assessment totals are reviewed by the State Board of Equalization each year; the board may require assessors to revise or amend them, or may even reinstate the prior year's assessed levels pending a reappraisal of the entire county.

XIV. TAX AND SPENDING LIMITS

As described above, local option mill levies are limited to 10% of formula funding or $200,000 whichever is greater, and must be voter approved. Total bonded indebtedness is limited to 20% of total valuation for assessment. If the Department of Education certifies that enrollment has increased by at least 3% annually for the last three years (for districts over 1000 pupils) or by at least 25 pupils annually for the last three years (for districts under 1000 pupils), the limit is 25% of total valuation for assessment. All bonded indebtedness must be voter approved, but levies to provide principal and interest repayment are outside of the limitation on optional local levies and the uniform mill levy.

A tax limitation measure will be on the November, 1992, ballot. Although Colorado voters have rejected tax limitation measures in each of the preceding two general elections, there is a possibility that this measure will be approved, leading to new tax and expenditure limitations on all state and local governments, including school districts.

XV. EARMARKED STATE REVENUE

All investment revenues from funds derived from the sale or lease of school lands and the school district share of federal mineral lease revenues are collected centrally by the state and dedicated to school finance. In 1992-93, this amounts to $54 million. This amount is appropriated annually as part of the state equalization program, with general fund revenues providing the balance of the state aid.

No other funds are currently earmarked, but the "Children First Act of 1992", sponsored by the Governor, will be on the 1992 ballot. In addition to a long list of reform proposals, it would raise the state sales tax rate from 3% to 4%, with the proceeds being dedicated entirely to K-12 education (including preschool). School finance would be guaranteed the level of general fund support provided in the 1992-93 appropriations act and available school land and mineral lease funding as well as the revenue raised from the sales tax rate increase. The measure is anticipated to raise approximately $320 million annually. After replacement of the one-time revenues in the 1992-93 funding and funding estimated new enrollment for 1993-94, the measure would provide approximately $28 million in funding for expansion of the at-risk preschool program and about $40 million for inflation adjustments or other school program increases.

The measure would modify the current formula distribution to require that 2% (but no less than $50 million) of total state and local funding be withheld from state aid distribution. This amount, referred to as the "Incentive and Innovation Fund," would be provided to school districts only as they design and implement strategic plans required by the act encompassing a series of reforms. In effect, districts would be guaranteed only 98% of their formula funding, with the remaining funding to be earned upon evidence that they have completed and begun implementing their strategic plans. Districts might receive more or less than their formula amount depending on how well or how poorly they do on their planning and implementation.

CONNECTICUT

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I. GENERAL BACKGROUND

State

- The state share of funding for public elementary and secondary schools has increased steadily throughout the decade, from 33.3% in 1980-81 to 42.8% in 1990-91. During this same time period, the local share has declined from 59.1% to 53.4%, and the federal share has declined from 7% to 3.6%. Miscellaneous revenues, receipts and private contributions made up the rest.
- Between 1979-80 and 1988-89, Guaranteed Tax Base (GTB) was Connecticut's major program of state education aid to towns. A small GTB aid program was adopted in 1975-76 and was replaced by the larger program in 1979-80. The Education Enhancement Act of 1986, begun in 1986-87 and ending in 1988-89, provided grants to towns to improve the starting and midcareer salaries of teachers. The purposes of this grant program were to establish a minimum salary, support increases in teachers' salaries, and improve teacher/pupil ratios. The Enhancement Act, together with the GTB formula, operated to reduce inter-district per pupil spending disparities. The difference between the 95th and 5th percentile districts ranked on expenditures per pupil fell from 70% in 1984-85 to 50% in 1989-90.
- 1990-91 is the second year of a new Education Cost Sharing formula, a modified foundation plan. In each year a Minimum Expenditure Requirement (MER) is determined with a dollar figure unique to each district. MERs are scheduled to rise annually in accord with statewide increases in education spending.
- Although each district's MER varies, each unique requirement can be met by taxing at the same rate (per need-student) as every other district. Since the plan is in the early years of a long term phase in, its effects are uncertain.
- At present, 95.3% of all funds going to local governments are distributed on an equalized basis.
- No taxes are specifically earmarked for education aid. Up to 1991, retail sales and corporation taxes were the "workhorses" of the state tax system. In August 1991 the state enacted a broad-based personal income tax. At the same time retail sales and corporate tax rates were reduced. The base for the retail sales tax was broadened by including formerly exempted items. An existing tax on dividends, capital gains, and interest was repealed.

- Recent legal challenges link school finance inequalities to district segregation by race and economic class. In the urban areas most local districts are largely poor and minority, thereby limiting the access of central city children to a more representative metropolitan tax base. Smaller towns, on the other hand, allegedly operate schools which are often financially inefficient. These issues are being addressed by the Governor's Commission on Quality and Integrated Education and by the state's judicial system.

Local

- All school districts are coterminous with one or more general units of local government called "towns." The state has 169 towns. There are a total of 166 local public school districts. Of these, 149 are town operated; 17 are regional, multi-town school districts — most of these operate schools only at the upper grade levels.
- In addition there are a number of specialized school entities. Chief among these are the vocational-technical schools funded directly by the state. "Regional educational service centers" — entirely separate entities from the regional school districts mentioned above — are funded by local, state, and federal payments. They provide a range of specialized services.
- Three historically private academies are now effectively public high schools, but with their own governing boards. The prison system operates for certain purposes as a state-funded school system.
- All local school districts are fiscally dependent: school boards have no taxing authority. Property taxes (both real and personal) are the sole source of local tax revenue. There are no statutory limitations on the amount of property tax which may be levied to support schools and other local public services. Towns are prohibited from levying any other taxes except property taxes.

Funding Summary, 1990-91

Total State Aid (All Programs)		$1,442 million
Grants in Aid	1,286 million	
Teacher Retirement Contributions	156 million	
FICA	0	
Total Local School Tax Revenue		2,041 million
Total Combined State and Local School Revenue		3,483 million
State Financed Property Tax Revenue Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1990-91: $891.9 million (61.9% of total state school aid)

Nature of Program: Foundation formula, known as the Equalized Cost Sharing Grant (ECS). Connecticut General Statutes 10-262(f-j).

Units: Pupils. Four different measures of pupil count are used in the ECS.

1. Resident students are those enrolled at the expense of the town on October 1st each year. Adjustments are made for summer school, for a school year longer than 180 days, and for Project Concern pupils. This count is used to determine town wealth.

2. Resident students in regular education programs is the count of resident students exclusive of students who are reported as receiving special education programs and services for 50% or more of their instructional time. This count is used to determine the town's Minimum Expenditure Requirement (MER).

3. Mastery count is the result of multiplying the grant mastery percentage by the count of resident students in regular programs. The grant mastery percentage is the sum of the average mastery percentage and the mastery improvement bonus. The average mastery percentage is a 3-year average of the percent of mastery tests with scores below the state remedial standard. The mastery improvement bonus reflects 75% of the improvement in mastery scores for the most recent year.

4. ADC Count or low income count is the number of children, ages 5 to 18, under the Aid to Dependent Children program. These data are reported by the State Department of Income Maintenance.

Local Fiscal Capacity: Equalized assessed property valuation and per capita income. The Equalized Net Grand List (ENGL) represents the fair market value of all taxable property (real and personal) in each town. For purposes of the ECS grant, the ENGL represents an average of 3 years of data and is updated annually. Per capita income is the most recent U.S. Census estimate of average income per person by town.

How Formula Operates: For each town, the state pays a percentage of the total amount the town is required to spend under the Minimum Expenditure Requirement (MER) program.

Formula Aid = State Percent x MER

State Percent. Each town's State Percent is based on that town's wealth compared to the State Guaranteed Wealth Level. State Percent is inversely related to a town's wealth.

State Percent = 1 - (Town Wealth / State Guaranteed Wealth)

Town Wealth is based on each town's Equalized Net Grand List (ENGL) per need-student and on the town's relative per capita income (PCI).

Town Wealth = (ENGL / Need Students) x (Town PCI / Highest Town PCI).

State Guaranteed Wealth is 1.6551 times the statewide median town wealth. (The original 1988 legislation set the guaranteed wealth level at twice the median wealth; the guaranteed wealth level was reduced to 1.8335 times the median wealth in 1989 and to 1.6551 in 1990). The state guaranteed wealth level is an important factor in the formula and has a direct impact on the equalizing power of the aid formula; the higher the state guaranteed wealth level, the greater the ability of the formula to equalize towns' ability to finance education.

Minimum Expenditure Requirement. Each town's MER is based on a state-established foundation expenditure level per pupil and the number of Need Students in that town. Need Students reflect the number of students in regular education programs plus additional counts for children in low-income families (ADC) and additional counts for students who score below the remedial standard of the Connecticut mastery tests.

MER = Foundation x Need Students

Need Students = Resident Students in Regular Education Programs
+ .25 ADC Count + .25 Mastery Count

The MER is recalculated yearly based on a new statewide foundation level and updated data on the need-student factor.

The foundation is the minimum amount that must be spent per pupil in every district. The foundation amount varies from year to year during the phase-in period, but it is a constant across districts in any given year. For formula aid purposes the foundation amount is set at $4,800 through 1992-93.

Each town is required to spend its MER combining state education aid under the ECS formula with local tax revenues. Eligible expenditures that can be credited toward meeting the MER are "regular program expenditures" (RPE). In general, RPE is defined as all of a school district's expenditures for public elementary and secondary education *except* :

- all special education expenditures eligible for state grants,
- all pupil transportation expenditures eligible for state grants,

- all school construction expenditures,
- expenditures from federal grants, and
- expenditures from other state categorical grants.

Some low-spending districts receive substantial federal funds and state categorical grants (such as special education, compensatory education, bilingual education, etc.). Expenditures from these grants are not used to meet the MER. This results in: (a) these categorical grants being used only for the supplementary purposes for which they are designed, and (b) increased spending on regular education programs.

Connecticut state law authorizes the State Board of Education to penalize any town that fails to meet its MER by withholding ECS aid. The penalty is an amount equal to twice the amount by which the town failed to meet its MER. A town may avoid the penalty by agreeing to exceed its MER in the next year by an amount equal to the penalty. In addition, the State Board of Education has the authority under Section 10-4(b) of the Connecticut General Statutes to take necessary action against towns that do not meet their MER in order to ensure that the "educational interests of the state" are met.

MER Transition. During 1989-90, 1990-91, and 1991-92, there is a transition program for the MER that parallels the transition plan for the ECS aid program (see adjustments for special factors below). Full implementation of the program will occur in 1992-93. During this period, each town's transition MER is the greater of:

1. "aid ratio option": the ratio of the town's ECS grant (phased in grant) for that year to the town's ECS formula aid, multiplied by the town's 1992-1993 MER (which is $4,800 x need-students); *OR*

2. "all new aid option": a town's previous year's regular program expenditures plus all new aid from the ECS grant. All new aid is the net increase in aid over the prior year's aid.

However, during the transition period, no town is required to spend more than the foundation for that year multiplied by its need students ("regular full MER option"). The foundation levels for the 3 transition years have been established in statute and are: for 1989-90 — $3,918; 1990-91 — $4,192; 1991-92 — $4,486; and 1992-93 — $4,800. Beginning in 1993-94 the foundation expenditure level will be recalculated annually and will be equal to the "regular program expenditures" per need pupil for the 80th percentile need pupil 3 years prior to the expenditure year. For example, in 1993-94 the foundation expenditure level will be based on regular program expenditures per need pupil in 1990-91.

State Share: The state share is equal to the calculated ECS amount.

Local Share: The local district's share is the difference between its MER and its ECS aid plus 100% of any local spending above the MER. Most districts spend above the MER.

Weighting by Grade Level: None

Adjustments for Special Factors:

1. Four-Year Transition to the New ECS Program. The 1988 legislation created a 4-year transition to the ECS grant — 1989-90 through 1992-93. During the transition the formula aid is equal to:

State Percent x $4,800 x Need Students.

After 1992 the formula discussed above under How Formula Operates will be operative.

- In 1989-90, each town received its base aid plus 21.5% of the difference between its formula aid and its base aid. Base aid has been calculated for each town and equals the sum of each town's 1988-89 GTB aid and its 1988-89 enhancement aid adjusted to a town basis.

- In 1990-91, each town received its base aid plus 45% of the difference between its formula aid and its base aid.

- In 1991-92, each town will be entitled to its base aid plus 71% of the difference between its formula aid and its base aid.

- In 1992-93, each town will be entitled to its formula aid.

2. Minimum Entitlement Provisions — Hold Harmless. The following provisions ensure that all towns receive at least as much state aid under the ECS Program as they received under the prior GTB and Education Enhancement Act (EEA) grants.

    a. Minimum Aid. The Guaranteed Tax Base grant program had a minimum aid provision that ensured that all towns received at least $250 per pupil in aid. If a town's GTB formula aid was less than $250 per pupil, the town would receive minimum aid to get to the $250 level. In 1989-90 each town that received minimum aid under the 1988-89 GTB grant program received an amount at least equal to 0.5% above its base aid. In 1990 the law redefined minimum-aid towns as the 16 wealthiest towns under the ECS formula and provided that they would receive, in 1990-91, an amount at least equal to their prior year's (1989-90) aid.

    b. Enhancement Aid. In 1989-90 each town that did not receive minimum aid under the 1988-89 GTB grant program or where the average of the low-income count and the mastery count was greater than 20% of the number of resident students in regular education programs, received an amount at least equal to 4.5% above its base aid.

    In 1990-91, under revised legislation, each town, except the 16 wealthiest towns under the ECS formula, is entitled to receive an amount at least equal to 4% above its prior year's enhancement/minimum aid.

3. Regional Bonus. Towns that are members of K-12 regional school districts are entitled to a bonus of $25 per student. Towns that are members of high school regional school districts are entitled to a bonus of $25 per student for those students who attend the regional high school times the ratio of the number of grades in the regional high school to 13.

Districts Off Formula: 81 districts (48%) receive at least some of their aid through the hold-harmless provisions.

III. TRANSPORTATION

Funding in 1990-91: $37.4 million (2.6% of total state school aid)

Description: This grant provides state funding to local school districts for the transportation of public school students. Limited funding is also available for the transportation of nonpublic school students. (Connecticut General Statutes 10-54, 10-97, 10-266(m), 10-273(a), 10-277, 10-281).

State and Local Shares: This grant reimburses school districts for 10% to 60% of their eligible transportation costs inversely to a district's relative "town wealth per capita." The poorest district is reimbursed at 60% and the wealthiest district at 10%. Eligible transportation costs are the costs of transporting a student from home to school to home. Field trips are ineligible.

"Town wealth per capita" is measured as the town's equalized net grant list (real and personal property) per person. The income adjustment is the ratio of the town's average per capita income to the average per capita income of the income wealthiest town in the state. The population and per capita income data are the most recent available from the U.S. Census Bureau.

Local districts pay costs not covered by state aid.

Extent of Participation: 166 districts (100%)

IV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1990-91: $83.1 million (5.8% of total state school aid)

Description: This grant provides funding to local municipalities for the construction and renovation of school buildings. Local school districts do not have the power to issue bonds. Bonds for approved local school construction projects are issued by the municipality. The total value of all school construction bonds cannot exceed 4.5 times the municipality's total tax revenues for the previous year. State aid is provided for both the principal and interest on such bonds and is paid to the municipality as the bonds come due. (Connecticut General Statutes 10-282 through 10-287(h), 10-65, 10-76(e)).

State and Local Shares: For new construction, expansion, and renovation of existing school buildings the state pays 20% to 80% of eligible costs based on town wealth per capita; the poorer the district the higher the reimbursement rate. Eligible costs are limited by school size caps based on allowable square feet per pupil. For code violation projects, 40% to 80% of eligible costs are aided based on town wealth per capita. Local districts pay costs not covered by state aid.

Extent of Participation: 166 districts (100%)

V. TEACHER RETIREMENT

Funding in 1990-91: $159.7 million (11.1% of total state school aid)

Description: The state operates the Teachers' Retirement System and pays the employer share of the program. This is a defined benefit pension system. The investment of the funds in the pension system is managed by the state treasurer. Funding in 1990-91 was reduced by (1) eliminating one of the quarterly payments (-$76 million), (2) changing the interest rate assumption (-$51 million), and (3) adjusting the percentage of funding of the total actuarial liability that was paid (-$20.7 million). The state also provides funding for a portion of the health insurance costs of retired teachers and their spouses. (Connecticut General Statutes 10-183(b) through 10-183(mm)).

State and Local Shares: The state pays 100% of the employer share of the costs of the pension program. There is a separate line in the state budget appropriating funds directly to the Teachers' Retirement Fund; no funds are paid to local school districts. Teachers contribute 6% of their gross salary.

Extent of Participation: 166 districts (100%)

VI. SPECIAL EDUCATION

Funding in 1990-91: $214.3 million (14.9% of total state school aid)

Description: Local school districts are reimbursed for the costs of providing special education services. Students receiving special education services must have an Individual Education Program that describes the services to be provided, and students must be mainstreamed to the maximum extent feasible. Schools must identify and provide services to mentally or physically handicapped children. Schools must identify gifted and talented children and may provide services. (Connecticut General Statutes 10-76 through 10-76(k))

State and Local Shares: The grant reimburses districts for 10% to 70% of their eligible costs inversely to relative town wealth. The poorest town is reimbursed at 70% and the wealthiest at 10%. The grant provides current fund grants to districts for educating (1) state-agency-placed pupils, (2) pupils whose educational costs exceed 5 times the district average expenditure per pupil, and (3) eligible residents (18-21 years old) of Department of Mental Health facilities located in the district. For 1990-91, the reimbursement for students in gifted and talented programs was 5% to 35% of eligible costs. Local districts pay costs not covered by state aid.

Extent of Participation: 166 districts (100%)

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $8.0 million (less than 1.0% of total state school aid)

Description: These grants assist school districts in providing supplemental educational programs and services to public and nonpublic students identified as deficient in basic skills. (Connecticut General Statutes 10-14(o)). *The 1991-92 appropriation has been reduced to $4 million.*

State and Local Shares: The state appropriation is divided among local school districts based on the number of low income students and the number of students scoring below the remedial level on the Connecticut Mastery Tests (grades 4, 6, and 8) compared to the total number of such students statewide. The state sets aside 6% of the appropriation for programs for nonpublic school students.

Extent of Participation: 166 districts (100%)

VIII. GIFTED AND TALENTED EDUCATION

Funding is provided as part of the Special Education Grant; see section on special education. 143 districts participate.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $2.2 Million (less than 1.0% of total state school aid)

Description: Local school districts are required to provide a program of bilingual education if there are 20 or more students in any public school who are dominant in any one language other than English and who are not proficient in English. These programs serve approximately 11,400 students in 12 districts. (Connecticut General Statutes 10-17(a) through 10-17(h)).

State and Local Shares: The state appropriation is distributed on a per-pupil basis among the eligible districts.

Extent of Participation: 12 districts (7%).

X. OTHER CATEGORICAL PROGRAMS

Priority School District Program

Funding in 1990-91: $3.4 million (less than 1.0% of total state school aid)

Description: This program provides funds and technical assistance to districts with the greatest demonstrated academic need to improve their school programs and services and to school districts to support programs to reduce their dropout rates. Grant funds must be used to supplement existing programs or create new programs and may not be used to decrease the local share of support for education. Connecticut General Statutes 10-266(p) through 10-266(r). *This grant was decreased by $2.5 million in 1991-92.*

State and Local Shares: Grants are distributed based on each district's enrollment, its relative wealth, and an action plan submitted by the district. Within the total appropriation, the State Board of Education has flexibility in determining grant awards.

Extent of Participation: 13 districts are participating in program improvement activities. 25 districts receive grants for dropout prevention programs.

Regional Education Service Centers

Funding in 1990-91: $2.4 million (less than 1.0% of total state school aid)

Description: There are 6 regional educational service centers (RESCs) serving the school districts in the state. Each RESC is managed by a board composed of one member representing each participating board of education. RESCs help the participating school districts cooperatively meet locally identified educational needs. The RESCs provide education programs for special-needs students. The RESCs also promote the goals and policies of the state board of education and provide professional development programs for teachers on a regional basis. Local districts may purchase the services they need from the RESCs. Funded in part by competitive state grants, the RESCs also provide leadership in planning and implementing cooperative interdistrict efforts to advance quality and integrated education. Connecticut General Statutes 10-66(a) through 10-66(l).

State and Local Shares: The state funds each RESC with a basic grant of $85,000 plus a proportional share of the remaining funds based on the sum of the Equalized Cost Sharing grants received by the member school districts.

The RESCs are also eligible to apply for competitive state grants. Local school districts contract directly for a number of services such as special education programs and professional development programs.

Extent of Participation: 163 districts belong to 6 RESCs.

Summer School Incentive Grants

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: In the summer of 1990, 12,000 pupils were enrolled in 17 state funded programs. These programs primarily are targeted for K-8 pupils in need of remedial instruction in the basic skills; at least 75% of the state grant must be used for remedial programs. These competitive grants are awarded on the basis of the district's proposal, the need for the program, and the relative wealth of the district. (Connecticut General Statutes 10-74(b)). *This grant was eliminated in 1991-92.*

State and Local Shares: These grant awards provide a maximum of 80% of the total cost of the program with the remaining 20% provided by the school district. Total grant awards cannot exceed the amount appropriated.

Extent of Participation: 17 (10%) districts received grants. Some programs provided services to students in more than one district.

Vocational Agriculture Program

Funding in 1990-91: $1.9 million (less than 1.0% of total state school aid)

Description: There are 17 regional vocational agriculture centers attached to local high schools across the state. Students from the area may attend the host high school taking about 1/3 of their courses in the agriculture center. Approximately 1,700 students from 115 school districts take such courses. (Connecticut General Statutes 10-64). *This grant was decreased by $1.5 million in 1991-92.*

State and Local Shares: The state grant reimburses the host school district for 100% of the cost of operating the center less 33% of the average per pupil operating cost in the previous year for the host secondary school times the previous year's enrollment of vocational agriculture students. The state also pays 100% of the cost of building and equipping the center. The districts sending students to the vocational center pay the host district tuition which may not exceed the average per pupil expenditure of the previous year for all secondary school pupils in the host district. The host district may charge an additional tuition for special education pupils which may not exceed actual costs.

Extent of Participation: 17 host districts and 99 sending districts (70%).

Interdistrict Cooperative Program

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: This program funds, on a competitive basis, interdistrict cooperative programs that support voluntary integration. Grant proposals are submitted annually by groups of 2 or more school districts or RESCs. Proposals for planning grants may be funded up to $20,000 and for implementation grants up to $90,000. In 1990-91 a total of $2 million in grant requests were received, and 37 programs were funded (15 planning and 22 implementation grants). Programs were funded at about 65% of the amount requested to remain within the appropriation. (Connecticut General Statutes 10-74(d)). *This grant was increased by $1.5 million in 1991-92.*

State and Local Shares: The state pays not more than 80% of approved program costs with the local district paying at least 20% of approved program costs.

Extent of Participation: 129 school districts and RESCs.

Professional Development Program

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: In 1986, Connecticut adopted major reforms in the training and compensation of teachers. Included in these reforms was a requirement that school district professionals holding teacher certificates must receive continuing professional development. Such certificates must be renewed every 5 years, and to be eligible for a renewed certificate teachers must give evidence of having completed at least 9 units of "continuing education" over the previous 5-year period. School districts are required to offer sufficient continuing education units to enable the teacher to meet the continuing education requirement at no cost to the teacher. To this end, each district must develop and submit for approval by the Commissioner of Education, a "comprehensive professional development plan." The professional development grant gives state aid to each school district to support the cost of implementing its "comprehensive professional development plan." (Connecticut General Statutes 10-155(dd)). *This grant was eliminated 1991-92.*

State and Local Shares: Each school district receives a proportionate share of the state appropriation based on its "adjusted staff members." "Adjusted staff members" are calculated by multiplying the number of full-time certified staff by the adjustment percentage. The adjustment percentage ranges from 50% to 150% and is based on the district's relative town wealth.

Extent of Participation: 172; 166 districts plus 6 RESCs (100%).

Child Nutrition Programs

Funding in 1990-91: $2.4 million (less than 1.0% of total state school aid)

Description: Connecticut provides the federally required state share of costs for child nutrition programs. (Connecticut General Statutes 10-215b).

Extent of Participation: 166 districts (100%).

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Funding in 1990-91: $6.4 million (less than 1.0% of total state school aid)

Description: Local school districts must offer the same health and welfare services to children who attend nonprofit private schools as are available to children in public schools provided that the majority of the children in the private school are state residents. Connecticut General Statutes 10-217(a). *The 1991-92 appropriation has been reduced to $3 million.*

State and Local Shares: The state reimburses 10% to 90% of eligible local school district expenses based on relative town wealth.

Extent of Participation: 68 districts (40%)

XII. PREKINDERGARTEN EDUCATION

There is no state grant program targeting funding to school districts for prekindergarten education. Children who are in prekindergarten programs for at least one-half day are counted as part of the district's enrollment and increase funding entitlements under the Education Cost Sharing grant. In addition, the state provides $.25 million to 1 of 6 RESCs to operate an interagency demonstration center which coordinates programs and services provided by public and private agencies serving families with infants and toddlers who are developmentally delayed.

XIII. LOCAL SCHOOL REVENUE

Each school district is fiscally dependent on one or more coterminous municipalities. The state of Connecticut is divided into 169 municipalities which have the power to tax real and personal property. Real property must be reevaluated once every 10 years, and at that time it is assessed at 70% of fair market value (FMV). Personal property is also assessed at 70% of FMV, but this FMV is adjusted annually. There are 3 classes of property — residential, commercial and industrial, and farmland. State equalization studies are done annually using fair market sales of real property.

XIV. TAX AND SPENDING LIMITS

All local budgets must be approved by the municipality's legislative body: either the common council, the town meeting or the representative town meeting. Municipal departments submit their annual budget requests to the local board of finance, council, or legislative committee, which develops the proposed budget for submission to the legislative body. The above-mentioned board, council or committee can revise the department's budget request item by item except for the board of education's budget. In the case of education, the town financial (and later the legislative) body can review only the total budget. The board of education, therefore, has full control of its budget within the total appropriation.

The limit on total school bonds outstanding is 4.5 times the town's prior year total revenues. In addiuon, there is a cap on all kinds of bonds (education, sewer, general government) at 7.5 times total revenues.

XV. EARMARKED STATE REVENUE

There are no revenue sources earmarked for education, but each school district is required to spend for education an amount equal to its MER. It must spend its ECS aid for education.

DELAWARE

Jack G. Nichols
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I. GENERAL BACKGROUND

State

- The state share of funding for public education is approximately 67%. The local share is about 25% with the federal government providing approximately 8%. The relationship among these funding sources has been relatively stable.
- There are 5 basic components of state funding: Division I, Division II, and Division III (see Section II); Transportation (see Section III); and Debt Service (see section IV).
- State funding is from annual General Fund revenues with no particular taxes earmarked for education. The state share of school construction funding comes from the sale of bonds. In 1991-92, Delaware adopted an equalization plan for school construction. In prior years, the state paid 60% of the cost of school construction for regular schools and 100% for vocational schools and special schools for handicapped children. The newly adopted plan calls for all schools to pay a share of the cost based on an ability-to-pay index which is a factor in the equalization formula, a part of the unit-funding system. The new plan calls for wealthier districts to provide 40% of the cost of construction while the poorer districts will provide funds on a sliding scale with no district paying less than 20%.
- The FY 1992 Budget Act introduced the concept of block grants into the education finance system. The 3 block grants are: Adult Education and Work Force Training Block Grant, Professional Accountability and Instructional Advancement Fund, and the Academic Excellence Block Grant. (See Section X — Other Categorical Programs for a description of these grants.)

Local

- Delaware has 19 school districts which are autonomous state agencies. Each district has its own taxing authority and thus is fiscally independent of county or municipal governments. Delaware school districts do not follow geo-political lines. All funds including local tax funds are held in state accounts. The State Treasurer functions as the treasurer for the school districts.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$398 million
Grants in Aid*	360 million	
Teacher Retirement Contributions	21 million	
FICA	17 million	
Total Local School Tax Revenue		123 million
Total Combined State and Local School Revenue		521 million
State Financed Property Tax Credits Attributable to School Taxes	0	

* Includes $276 million for unit funding plus $84 million in other state aid.

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $316.2 million (79.4% of total state school aid)

Nature of Program: Flat grant with wealth equalization component. Title 14, Delaware Code.

Units: Teacher. Unit funding based on September 30th unit count:

Kindergarten	1 unit per 40 pupils (half-day program)
Grades 1-3	1 unit per 19 pupils
Grades 4-12	1 unit per 20 pupils
Special education	1 unit per 4-15 pupils depending on handicapping condition

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: Each teacher unit, based on the September 30th pupil count, generates unit funding divided into 3 parts:

1. Division I. These funds are for salaries and other employment costs provided under a series of staffing formulae and salary schedules specified in Title 14, Delaware Code. Staffing formulae are basically related to pupil units. Based on the educational degree and years of experience for each individual teacher in the district, the state allocates a share of that teacher's salary, ranging from $15,546 to $29,848, plus associated employee costs.

2. Division II. These funds are provided for all school costs except salaries, transportation, and debt service. These allocations are flat grants. In 1990-91, the flat grant was equal to $3,807 per-unit.

3. Division III. These funds are commonly referred to as equalization aid. The funds may be used for the same purpose as Division I or II funds. Funds are allocated inversely on the basis of school district wealth (full value of real estate per unit of pupils) and are distributed on a per unit basis. The formula used requires that local districts must demonstrate effort by raising local revenues as matching for equalization. In 1990-91, total Division III funding equaled $32.0 million. The wealthiest district received $1,669 per unit; the poorest district $13,632 per unit.

The 1990-91 cost of an average teacher unit was funded as follows:

Division I		$32,133
Salary (Average teacher salary; Masters, with 9 years experience)	24,209	
Employee costs	4,224	
Health insurance	3,700	
Division II		3,807
Division III (Amount for an average wealth district)		5,585
Total		$41,525

The unit funding structure also provides for administrative, supervisory, clerical, custodial, and other support staff by providing the state share of salary and employee costs for these positions. The following are examples (based on number of Division I funding units):

Assistant superintendent	1 for each 300 units
Supervisor	1 for each 150 units

Principal	1 per building if 15 units in building
Assistant principal(s)	1st at 30 units in building 2nd at 55 units in building 3rd at 75 units in building
Clerical	1 per 10 units for first 10 1 per 12 units thereafter
Nurse	1 per 40 units

Special education and vocational education are provided for in the unit-funding structure. Special education units are weighted by varying the number of pupils in the unit according to the handicapping condition. The units are as follows:

Educable mentally handicapped	1 unit for each 15 pupils
Socially or emotionally maladjusted	1 unit for each 10 pupils
Learning disabilities	1 unit for each 8 pupils
Blind	1 unit for each 8 pupils
Autistic	1 unit for each 4 pupils
Severely mentally handicapped	1 unit for each 6 pupils
Orthopedically handicapped	1 unit for each 6 pupils
Trainable mentally handicapped	1 unit for each 6 pupils
Partially sighted	1 unit for each 10 pupils
Intensive Learning Center pupils	1 unit for each 8.6 pupils
Hearing impaired	1 unit for each 6 pupils
Deaf-Blind	1 unit for each 4 pupils

Vocational education also is funded through the unit structure with a unit provided for each 15 full time equivalent (FTE) pupils enrolled in a vocational program. Since these pupils also are counted in the regular unit count, there is a .5 per unit deduct of a regular unit for each vocational unit.

State Share: The state share is equal to calculated amount for Divisions I, II, & III.

Schedule of Payments: On July 1st, 75% of the aid is placed into state accounts. Adjustments are made after September 30th.

Local Share: Remainder of costs. All school districts supplement the state schedules.

Weighting by Grade Level: Weighting is achieved by varying the number of pupils required to fund a teacher unit.

Adjustments for Special Factors: None.

Districts Off Formula: None.

III. TRANSPORTATION

Funding in 1990-91: $33.9 million (8.5% of total state aid)

This amount includes $2.8 million for reimbursement to nonpublic schools

Description: The state pays 100% of the cost for public school pupil transportation to and from school for eligible students. Private contractors and local districts which operate buses are reimbursed on a formula which is based on a 30 mile minimum route and other factors such as the age of the bus plus cost of gasoline, insurance, and an annual inflation factor based on the Consumer Price Index.

Delaware also provides reimbursement to nonpublic schools. The amount is determined by the size of the annual appropriation and the number of eligible pupils.

Eligibility for transportation, in the case of public school pupils and reimbursement in the case of nonpublic pupils, is determined by distance from home to school. Pupils in Grades K-6 are provided transportation or reimbursement if the distance exceeds one mile. Pupils in Grades 7-12 are transported or reimbursed when the distance exceeds two miles.

Extent of Participation: All districts. Approximately 85% of public school pupils are transported.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Historically, Delaware has provided state funding for capital outlay financing at a ratio of 60% state and 40% local for regular schools and 100% state for vocational and special education facilities. The FY 1992 Bond Bill (HB 390) provided for equalization of school construction funds. Wealthy districts, as identified by an ability-to-pay index, a factor in the basic equalization formula, would continue to pay a 40% share. Poorer districts would pay a diminishing ratio based on ability to pay with no district paying less than 20% of the total cost. Vocational schools and special education schools would pay a share based on the ability to pay of the county in which they are located.

Local districts supply their share of construction cost by selling, after approval by referendum, school district bonds to the state which in turn sells State of Delaware bonds on the bond market. The approval referendum authorizes local districts to set a property tax rate sufficient to pay the principal and interest on the bond issue.

In addition to providing funding for capital outlay financing, referred to as Major Capital Improvements, Delaware has 2 additional programs related to facilities.

1. The Minor Capital Improvement Program provides funding for scheduled maintenance and repair of school buildings on a 60% state, 40% local basis. Vocational and special education schools receive 100% funding. The state provided in FY 1991 $4.2 million with local districts providing $2.5 million for this program. The local share of this program is supported by a local property tax. A tax rate may be set by the local districts at a level sufficient to match the state appropriation without a referendum. Allocations from this program are made based on district enrollment.

2. School building maintenance, a 100% state-funded program for unscheduled repairs, is allocated on a formula which includes factors of building age and pupil enrollment. This program was funded in FY 1991 at just over $1 million.

V. TEACHER RETIREMENT

Funding in 1990-91: Retirement:$21.0 million (5.3% of total state school aid)
FICA: $17.0 million (4.3% of total state school aid)

Description: In Delaware, school district employees are state employees and participate in the regular state pension system. Effective January 1, 1987, employee contributions to the fund shall be either 3% of total monthly compensation in excess of $500, plus 2% of that portion which exceeds the amount determined by dividing the social security wage base by 12.

State and Local Share: The state contributes to the pension system based on the state share of teacher salaries and local districts contribute based on the locally funded portion of teacher salaries. For 1990-91, the rate of contribution was approximately 8% of teacher salaries. Local district pension contributions approached $7.0 million. The state pays FICA on the state share of salaries. The school district share of FICA is estimated at $6 million.

Extent of Participation: All districts

VI. SPECIAL EDUCATION

See Section II — Basic Support Program.

VII. COMPENSATORY EDUCATION

See Section II — Basic Support Program and Section X — Regular Elementary/Secondary Programs, Basic Skills Unit.

VIII. GIFTED AND TALENTED EDUCATION

See Section X — Student Advancement Programs.

IX. BILINGUAL

Funded through the Basic Support Program.

X. OTHER CATEGORICAL PROGRAMS

There are 9 other programs in the Delaware education budget plus the operation of the Department of Public Instruction, the state education agency. Two of the programs provide less than $1.0 million in state aid: school readiness programs and privately operated programs.

Department of Public Instruction

Funding in 1990-91: $5.8 million (1.5% of total state school aid)

The Department of Public Instruction is the state education agency and functions as the staff of the State Board of Education.

Regular Elementary/Secondary Programs

Funding in 1990-91: $13.4 million (3.4% of total state school aid)

This collection of programs provides for Basic Skills (a compensatory program), Gifted and Talented, Driver Education, Substitute Teachers, and a flexible Refinement Unit.

Special Needs Programs

Funding in 1990-91: $7.0 million (1.8% of total state school aid)

This collection of programs provides services beyond the basic unit structure for handicapped students.

Student Advancement Program

Funding in 1990-91: $2.7 million (less than 1.0% of total state school aid)

A number of programs providing services for gifted or advanced students.

Career Readiness/Vocational Programs

Funding in 1990-91: $2.4 million (less than 1.0% of total state school aid)

Programs in this group provide services to vocational education beyond the basic unit structure.

Adult Programs

Funding in 1990-91: $2.9 million (less than 1.0% of total state school aid)

This collection of programs is primarily aimed at adults to provide job training, skills, and a high school education.

Education Monitoring and Advancement Programs

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Programs in this group deal with curriculum improvement, restructuring, and assessment of education programs.

Teacher Development Programs

Funding in 1990-91: $2.0 million (less than 1.0% of total state school aid)

This collection of programs is aimed at improving teacher performance, appraisal, and training.

1992 Block Grants

Adult Education and Work Force Training Block Grant

Description: This program combined 8 previous programs primarily designed for adult education into 1 block grant. Funding of the previous 8 programs was cut by 10%. The Budget Act Epilog stipulates that each of the 8 antecedent programs should receive 90% of the 1991 appropriation. Total funding for FY 1992 was $3.2 million.

Professional Accountability and Instructional Advancement Fund

Description: This fund combines 12 programs into 1 fund to be used for staff development, student assessment, and educator accountability. While funding was slightly reduced, the State Board of Education has full flexibility in the expenditure of these funds which total $2.2 million.

Academic Excellence Block Grant.

Description: This block grant funds both a supplemental unit allocation and a per-pupil allocation. The unit allocation provides for such things as elementary guidance counselors, elementary foreign language teachers, remediation teachers, aides, and gifted and talented teachers. This portion is based on a unit of 295 pupils and is funded at $13.0 million. The per-pupil allocation provides for student work-study, computer purchases, substitute teachers, homebound instruction, and school nurses. This allocation is funded a $2.9 million or approximately $475 per pupil.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Description: Delaware provides aid to private schools in 2 areas: driver education and pupil transportation.

In Delaware, a person must be 18 years of age to obtain a driver's license, unless they have completed a course of driver's education in which case the minimum age is 16 years. Delaware provides driver education to students of nonpublic schools by employing teachers hired by public districts to teach in nonpublic schools. A teacher is provided for each 125 10th grade students, the same as in public schools.

Delaware provides reimbursement to eligible nonpublic school pupils for transportation. The public school eligibility requirements of one mile for elementary students and two miles for secondary students apply to nonpublic pupils.

The reimbursement is determined by dividing the number of eligible pupils into the annual appropriation. In 1990-91, approximately 14,200 pupils received $199.00 each as reimbursement for transportation.

XII. PREKINDERGARTEN EDUCATION

See Section X — School Readiness Programs.

XIII. LOCAL SCHOOL REVENUE

The property tax is the only local tax that funds schools. A local school district in Delaware may levy taxes on property for 4 reasons:

1. Current Expense. Provides the local share of school district salaries and other school needs. This tax requires passage of a referendum to establish a tax rate. The referendum is held only when there is a need to increase the tax rate.
2. Debt Service. Provides funds to pay the principal and interest on outstanding bonds. Districts must pass a referendum to authorize the issuance of bonds.
3. Tuition. Provides funds to pay a district's share of special programs for students who attend county-wide special programs. No referendum is required.
4. Minor Capital Improvements. Provides funds to match state appropriations for the repair and maintenance of schools. This tax does not require a referendum but the proceeds can only be used to match a state appropriation.

In 1990-91, these taxes generated approximately $122.7 million in revenue.

In Delaware, assessment is the responsibility of county government and practices vary among the 3 counties. The state has the University of Delaware conduct a statewide sales to assessment ratio study biannually to determine full market value of property in each school district.

XIV. TAX AND SPENDING LIMITS

Since a high percentage of the cost of education is borne by the state and because referenda are required for the bulk of local school taxes, there is no imposed taxing limit. There is a bonding limit which requires that no school district may bond itself for more than 10% of its assessed value. Because the state pays a high percentage (60% to 80%) of the cost of school construction, this bonding limitation has not caused a burden in Delaware.

Delaware school districts may not operate at a deficit.

XV. EARMARKED STATE REVENUE

There are no particular categories of funding earmarked for education. All state fund revenues for schools come from the State General Fund.

FLORIDA

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I. GENERAL BACKGROUND

State

- Funding for Florida schools from both state and local sources has increased in real dollar terms since the initiation of the Florida Education Finance Program (FEFP) in 1973-74. Of the total funding from state and local sources combined, however, the portion contributed by the state has decreased from nearly 72% in 1973-74 to nearly 64% in 1989-90.

- The FEFP, which can be defined as a highly modified foundation plan, is characterized by a relatively high percentage of state aid largely driven by a weighted per-pupil formula. In attempting to provide equalization of educational opportunity the FEFP formula recognizes: (1) varying local property tax bases, (2) varying program cost factors, (3) district cost differentials, and (4) differences in per-student cost for equivalent educational programs due to sparsity and dispersion of population.

- The FEFP bases financial support for education on the number of students participating in a particular educational program. The FEFP funds are primarily generated by multiplying the number of full-time equivalent students (FTEs) in each of the educational programs by cost factors to obtain weighted FTEs. Weighted FTEs are then multiplied by a base student allocation and by a district cost differential in the major calculation to determine the state and local FEFP funds (Fla. Stat. Ch. 236.013). Program cost factors are determined by the Legislature and represent relative cost differences among the FEFP programs.

- State funds for public school support are provided primarily through appropriation by the Florida Legislature. The largest portion of state support is distributed through the FEFP. In addition, more specific educational needs are financed through categorical funding and special allocations. The major source of revenue for state support of public schools is the state sales tax.

Local

- Florida has 67 fiscally independent school districts based on county lines, each of which participates in the FEFP. Each district must provide evidence of its effort to maintain an adequate school program throughout the district.
- Local revenue used to support schools is derived almost exclusively from ad valorem property taxes. In fact, no local non-property taxes are levied specifically for support of schools. Although not provided for in statute, a few school districts receive local county sales tax revenues. All local school districts are required by statute to apply a specified millage rate to the aggregate assessed property value as a part of the required local effort provision of the FEFP. The millage rate for each district is computed annually as the product of an equalization factor times the aggregate assessed property value in the district.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$6,944 million
Grants in Aid	5,983 million	
Teacher Retirement Contributions	961 million	
FICA	100% by the state	
Total Local School Tax Revenue		2,510 million
Total Combined State and Local School Revenue		9,454 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Florida Education Finance Program

Funding in 1990-91: $4,456.5 million (64.2% of total state school aid)

Nature of Program: The Florida Education Finance Program (FEFP), authorized in section 236.081 of the *Florida Statutes*, is a modified foundation plan.

Units: Pupils. Expressed as full-time equivalent (FTE) based on average daily membership.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: The funds distributed to each school district through the FEFP are calculated by first multiplying the FTE of each specific educational program by the program cost factor as established by the Legislature. The resultant weighted FTEs are multiplied by the base student allocation, set at $2,608.75 by the Legislature for 1990-91. This new product is then multiplied by the district cost differential. Supplemental allocations may be added to this figure, depending on district eligibility. These include the declining enrollment supplement, sparsity supplement, rapid growth adjustment, extended day allocation, adequacy supplement, math/science incentive, and salary improvement incentive. When all eligible supplements have been added, the result is the total state and local FEFP dollars.

The required local effort of the district is then subtracted, resulting in the state FEFP dollar figure. Prior year adjustments may then be made, resulting in the net state FEFP dollars to be provided to the district.

The Distribution of State Dollars: The amount of state and local moneys for each school district is determined in the following manner:

The full-time equivalent student membership in each program; multiplied by the cost factor for each program; multiplied by the base student allocation; multiplied by the district cost differential factor; plus the declining enrollment supplement; plus the sparsity supplement; plus the rapid growth adjustment; plus the extended day allocation; plus the adequacy supplement; plus the math/science/incentive; plus the salary improvement incentive. These supplemental allocations are discussed later.

The categorical program funds are added and any special allocations due are provided. These categorical programs are discussed in detail later in the chapter.

The FEFP is calculated 5 times for each year's appropriation. These calculations are as follows:

1. First Calculation. This calculation is completed immediately after the annual legislative session, usually in June. Districts' allocations for July are distributed on this calculation.

2. Second Calculation. This calculation is made upon receipt of the certified tax roll from the Department of Revenue as provided for in statutory language (*Fla. Stat.* Ch. 236.081(4)). Allocations for August through November are distributed on this calculation.

3. Third Calculation. This calculation is made upon receipt of the districts' October FTE surveys reported in November. District allocations for December through March are distributed on this calculation, (Districts' July and October FTEs are summed and an annualization is made based on previous year's trend of February and June compared to July and October surveys).

4. Fourth Calculation. This calculation is made upon receipt of the districts' actual February FTE surveys and estimated June FTE surveys reported in March. District allocations for April through June are distributed on this calculation.

5. Final Calculation. This calculation is made upon receipt of the districts' actual June FTE surveys, usually reported in July. Prior year adjustments in the following fiscal year are made, based on a comparison of this final calculation to the Fourth Calculation. Fee adjustment penalties are calculated and applied as prior year adjustments at this time.

State Share: The state share of the FEFP is determined annually through legislative appropriation. The base student allocation, times weighted FTE, minus required local effort for all districts equals the aggregate net FEFP dollars provided by the state. The base student allocation is determined annually by the Legislature. For the 1990-91 fiscal year, the base student allocation was $2,608.75. The State Board of Education shall use up to $10 million from the Educational Enhancement Trust Fund to maintain the Base Student Allocation at this amount if the FEFP appropriation is insufficient due to changes in reported FTE and/or the Department of Revenue certified tax rolls.

Local Share: Required local tax effort in property taxes for calculation of district required local effort millages for the current fiscal year was set by the Legislature at $2,510.1 million in the Appropriations Act. Using the certified 1990 tax roll from the Department of Revenue, the Commissioner computed and certified the required local effort millage rate for each district. In calculating the FEFP for the 1990-91 fiscal year, each district's deduction for required local effort will be the certified millage on 95% of the nonexempt assessed valuation of the district. In the event that this millage will produce more than 90% of a district's total FEFP entitlement, the Commissioner is directed to adjust the district's rate to produce 90%.

The amount produced by applying the average computed required local effort millage rate of 5.864 to the tax roll certified July 16, 1990 was adjusted by an equalization factor for each district (*Fla. Stat.* Ch. 236.081(4)(b)). The millage rate resulting from the application of this equalization factor was added to each district's required effort millage rate as an additional required local effort rate for equalization. The summation of these 2 rates became each district's total required local effort certified millage rate.

Each school board participating in the state allocation of funds for current operation of schools must levy the millage set for its required local effort. Based on the 1990 tax roll provided by the Department of Revenue, the Commissioner of Education certified the required millage of each district. Certifications varied from 6.385 mills to 5.706 mills due to use of assessment ratios designed to equalize the effect on the FEFP of differing levels of property appraisal in the counties. A limitation that local required effort not exceed 90% of a district's total FEFP entitlement reduced one district's required local effort to 4.777 mills.

School boards may set discretionary tax levies of the following types:

1. Capital outlay and maintenance. School boards may levy up to 2.0 mills for construction and remodeling; site and site improvement; auxiliary or ancillary facilities; maintenance, renovation, and repair of existing school plants; and school bus purchases. Payments for lease-purchase agreements for educational facilities and sites are authorized in an amount not to exceed one-half the proceeds of the millage levied under this authority. Proceeds may also be used to repay loans used for these authorized purposes.

2. Current operation. The Legislature limited discretionary current operation millage for 1990-91 to no more than 0.719 mills.

3. Salary Improvement Incentive. The 1990 Legislature provided additional funds for salaries contingent upon district participation by levying up to 0.300 mills.

In addition to the board-set levies, qualified electors may vote an additional millage levy for operation and capital outlay purposes for a period not to exceed 2 years. Tax levies for debt service are in addition to the levies for current operation but are limited by State Board of Education rule to 6 mills and 20 years duration except with specific State Board approval. Qualified electors may vote for a local bond issue to be retired by a millage levy. State Board of Education rules prohibit school districts from issuing school bonds in excess of 10% of the nonexempt assessed valuation of the district without specific State Board approval.

Budget revenue from local taxes and local required effort are based on applying millage levies to 95% of the nonexempt assessed valuation of property.

Weighting by Grade Level: The FEFP recognizes cost differences based on grade level in addition to programs of instruction. Program cost factors are intended to assure that each program receive funds in relation to its relative cost. Through an annual program cost report, districts report the cost of each program. The cost per FTE for each program is used to produce an index of relative costs with the cost per FTE of Basic, Grades 4-8, established as the 1.000 base. The Legislature has adopted a 3-year averaging methodology in computing cost factors. This attempts to protect districts from rapid changes in program cost factors. Multiplying the FTE for a program by its cost factor produces the "weighted FTE." Program cost factors established for use in 1990-91 are shown in this section.

Cost Factors for 1990-91:

Basic Programs	
Kindergarten and Grades 1, 2, and 3	1.031
Grades 4, 5, 6, 7, and 8	1.000
Grades 9, 10, 11, and 12	1.196
Mainstream	
Grades K-3	2.062
Grades 4-8	2.000
Grades 9-12	2.392
Programs for At-Risk Students	
Dropout Prevention	1.731
Intensive English/ESOL K-3	1.695
Intensive English/ESOL 4-8	1.732
Intensive English/ESOL 9-12	1.773

Exceptional Student Programs

Educable Mentally Handicapped	2.161
Trainable Mentally Handicapped	2.990
Physically Handicapped	3.667
Physical & Occupational Therapy, part-time	9.033
Speech, Language, and Hearing Therapy, part-time	5.520
Speech, Language, and Hearing	3.337
Visually Handicapped, Part-time	13.856
Visually Handicapped	4.657
Emotionally Handicapped, Part-time	3.793
Emotionally Handicapped	2.837
Specific Learning Disability, Part-time	3.113
Specific Learning Disability	2.117
Gifted, Part-time	1.951
Hospital & Homebound, Part-time	11.680
Profoundly Handicapped	4.479

Adult General Education Programs

Adult Basic Skills	.805
Adult Secondary Education	.807
Lifelong Learning	.726
Adult Handicapped	1.614

Vocational-Technical Programs

	Job Preparatory		*Adult*
	7-12	*Adult*	*Supplemental*
Agriculture	1.716	1.617	1.322
Business and Office	1.239	1.340	1.162
Distributive	1.134	1.404	.861
Diversified	1.237	1.239	1.433
Health	1.606	1.729	1.433
Public Service	1.157	1.097	1.001
Home Economics	1.278	1.560	1.292
Industrial	1.764	1.551	1.232
Exploratory (grades 6-12)	1.308		
Vocational Mainstream	2.774		

Additionally, the Legislature has established the following combination of programs:

Group	*Program Group Title*
1	Basic
2	Dropout Prevention Intensive English/ESOL Exceptional Student K-12 Vocational
3	Adult Preparatory Vocational Adult Supplemental Vocational Adult General

Program groups 2 and 3 are "capped" in that a district will receive prorated funding for any weighted FTE in either group which exceeds the amounts established for that district in those program combinations (groups). These caps are established based on each district's estimates of FTE in each FEFP program. District estimates are reviewed and approved by a state enrollment estimating conference. The district estimated FTE in each program is multiplied by the program's cost factor and the resulting weighted FTE aggregated by program group is the group cap.

High schools which have no less than 28 students and no more than 100 students in grades 9-12 and which are no closer than 28 miles to the nearest high school, and whose students score no less than the higher of the district or the state average on both parts of the Student Assessment Test, may use a weight of 2.75 for all FTE in grades 9-12.

Districts which offer Visually Handicapped (PT) services for themselves or for a multidistrict area in which there are 5 or more students receiving the services are guaranteed 3.0 unweighted FTE.

A value of 0.24 FTE shall be reported for each score of 3 or higher achieved on each College Board Advanced Placement examination by a student in a district-taught Advanced Placement class of the prior year. A value of 0.24 FTE is to be calculated for each student enrolled in an International Baccalaureate course who receives a score of 4 or higher on a subject examination. A value of 0.3 FTE is to be calculated for each student who receives an International Baccalaureate diploma. This bonus FTE is to be added to the Basic, Grades 9-12 program. A value of 0.24 FTE or the actual calculated FTE, whichever is closer to actual district cost, shall be reported for each score of 3 or higher achieved on each College Board Advanced Placement examination by a student in a public college-taught Advanced Placement class of the prior year. A student in a public college-taught Advanced Placement class shall not earn any current year full-time equivalent student membership for the class.

Adjustments for Special Factors: Several adjustments and supplemental allocations are included in the FEFP formula. These include the following:

1. District cost differential. The district cost differential used to adjust each district's FEFP allocation is based upon an average of the previous 3 years of the Florida Price Level Index as determined by the Executive Office of the Governor. These 3-year averages are adjusted as per statute (*Fla. Stat.* Ch. 236.081(2)). The 1990 Legislature provided that each district with a calculated value below 1.0000 would be set to 1.0000 in determining FEFP allocations. Districts with factors above 1.0000 for 1990-91 were:

Broward	1.0546
Collier	1.0070
Dade	1.0561
Manatee	1.0130
Martin	1.0175
Monroe	1.1013
Palm Beach	1.0385
Pinellas	1.0061
Sarasota	1.0147

2. Declining enrollment supplement (total state funding $249,295 in 1990-91). Districts with a decrease in unweighted FTE from the prior year are provided an allocation. The declining enrollment allocation for 1990-91 was determined by comparing the unweighted FTE in 1990-91 to the unweighted FTE of the prior year. In those districts where there is a decline in unweighted FTE, 50% of the decline is multiplied by the prior year's calculated FEFP per unweighted FTE and added to the allocation of the district. For this purpose, the calculated FEFP was computed by multiplying the weighted FTE by the base student allocation and then by the district cost differential. There was a provision that 85% of any decline in FTE membership resulting from transfer of programs from a school district to another institution shall not be counted in calculating the district's declining enrollment entitlement.

3. Sparsity supplement ($15 million). An allocation is provided to districts with fewer than 3 senior high school centers and an unweighted FTE of 17,000 or less as discussed herein. The formula accounts for the increased expenses of smaller districts through a statutory formula in which the variable factor is a sparsity index. This index is computed by dividing the FTE of the district by the number of permanent senior high school centers (not to exceed 3). By appropriations act proviso, participation is limited to districts of 17,000 or fewer FTE. Each eligible district's allocation is subject to an adjustment for relative wealth of the district. This adjustment is based on per FTE value of the maximum discretionary levy in the district relative to the state average. If the district

value per FTE exceeds the state average, then the sparsity entitlement is negatively adjusted by an amount equal to the district's FTE multiplied by the per FTE amount which the district's maximum discretionary value per FTE exceeds the state average.

4. Rapid growth supplement ($5 million). This FEFP component addresses the needs of districts where growth exceeds the state average change in unweighted FTE enrollment from 1989-90 actual to the 1990-91 estimate. The percentage amount by which each district's enrollment growth (K-12, 180 day term) exceeds the statewide average is to be multiplied by the district's 1990-91 unweighted FTE student count and the result used to proportionally distribute the funds

5. Extended day/seventh period supplement ($127.7 million). Allocation provided to any district with either seven 50-minute or six 60-minute scheduled class periods.

6. Adequacy supplement ($19.1 million). Provided to guarantee a 5% weighted FTE increase in funding among districts from the previous year. An amount of $19.1 million was provided to guarantee a 5% weighted FTE increase in funding. This increase is measured based on total state and local FEFP, discretionary local funds, and the major formula based categoricals. These include K-3 Improvement, Safe Schools (1989-90), Resource Officer (1990-91), Writing Skills, High Cost Science Labs, Middle Childhood, Instructional Materials, Library Media Materials, Compensatory Education, Student Development Services, Pre-School Program, School Bus Replacement, Student Transportation, and Merit Schools. If the calculated amount exceeds the sum provided, district allocations are prorated.

7. Math/science incentive ($10 million). This allocation is intended to increase enrollment in higher-level math and science courses in the various school districts.

8. Salary improvement incentive ($103.6 million). Funds distributed through an equalization formula among districts to improve the salaries of school district personnel.

Districts Off Formula: None. All 67 Florida school districts participate in the FEFP.

III. TRANSPORTATION

Funding in 1990-91: $178.5 million (2.6% of total state school aid)

Description: Students are eligible for state funding as follows: (1) students who live 2 miles or more from school; (2) students who are physically handicapped or enrolled in a teen-age parent program regardless of the distance to school; (3) students who are transported from one school center to another to participate in special programs; e.g., vocational, dual enrollment, or programs for exceptional students (except gifted); (4) students whose grade level does not exceed grade 6 but are subjected to hazardous walking conditions; (5) students in a state pre-kindergarten early intervention programs regardless of distance from school.

State Share: The process of computing the state contribution for student transportation is as follows:

1 An entitlement based on February and October data is calculated for students transported, considering a 180-day school year. The average of these 2 periods is usually greater than the state appropriation. Consequently, the final amount allocated to each school district is prorated.

2. The calculation of the entitlement noted is made by multiplying the students transported for the period by the "allowable per student cost."

3. The "allowable per-student cost" is based on the following formula:

$A/N + B$ = allowable per-student cost
N = the density index of the district

A and B are constants calculated by the State Department of Education using the concept of least square regression (Actual expenses plus the cost of bus replacements are divided by the number of eligible students in each district to determine the actual costs per student. This amount is plotted with the density ratio. The amount at the top of the slope line is A and the amount at the bottom of the slope line is B (*Fla. Stat.* Ch. 236.083)).

4. The density index noted is calculated as follows:

Density Index = (number of students transported)/(eligible bus route mileage)

Districts with an actual computed density index of less that 1.7 are adjusted upward to 1.7 and those districts with an actual density index greater than 4.7 are adjusted downward not to exceed 4.7. Consequently, the density indices always fall between 1.7 and 4.7.

5. Bus route mileage is computed by adding one-half of round trip route mileage required to transport students to and from school along with 50% of the bus route mileage without students. It should be noted that steps 1 through 5 previously noted describe the basic allocation of state funds. However, adjustments are made for:

- students transported during summer school
- students transported by passenger cars
- students transported using general purpose transportation systems of local governments.

The state participates in school bus replacement. The steps are as follows:

Step 1. On July 1 of each year a determination is made of the number of buses in active daily service. This is accomplished through a survey in October and February of the prior fiscal year.

Step 2. The number of buses to be replaced is 10% of the average in active service from the October and February survey.

Step 3. A determination is made of the cost of "diesel-powered school bus of 65 passenger capacity;" F.O.B. factory.

Step 4. The funds needed for bus replacement are calculated by multiplying the number of buses in step 2 by the estimated replacement cost in step 3.

Step 5. Since the total state appropriation is normally less than the funds needed to replace 10% of the buses in step 4, the state funds are allocated to each school district on the proportion that each district's need is of the total need.

Step 6. The Department of Education coordinates a statewide voluntary pool purchase bid for school buses needed by participating school districts. The actual buses purchased may vary from the 65 passenger diesel type, such as buses with accommodations for the handicapped.

Local Share: All costs related to student transportation in a given district not covered by transportation funding from the state or federal aid for transportation are borne by the local district.

Extent of Participation: All 67 districts

IV CAPITAL OUTLAY AND DEBT SERVICE

Funding 1990-91: $388 million (5.6% of total state school aid)

Description: At the state level, revenues for capital outlay are provided from taxes on utilities. Impact fees and lease-purchase arrangements are permissible. Capital outlay aid under the Public Education Capital Outlay Funds (PECO) and Capital Outlay and Debt Service (CO&DS) are allocated for K-12 public education as well as higher education. State bonds for legislatively authorized projects are issued by the State Board of Education. Funds for Special Facilities construction, which may be expended for only one project in a district, are approved by a state committee after requests from districts with special needs in the area of capital outlay are judged as not meeting the needs through normal funding procedures. The PECO expenditures are allocated via a formula. Additionally, certain revenues from the licensing of motor vehicles are allocated to school districts for capital outlay funding and debt service.

A sinking fund is managed by the State Board of Education which issues capital outlay bonds. These bonds are repaid through district CO&DS allocations. Districts are required to conduct 5-year surveys of capital outlay requirements and to create a long-range plan using that survey. The districts then submit a budget for capital outlay with expenditures specified from each project, from all available sources.

Additionally, local sources for public school capital outlay are available. Two "pay-as-you-go" methods are utilized. The first of these utilizes taxes levied based on election-approved millage rates. These levies may occur for only 2 years, for a maximum of 2 mills. The second method allows levies of up to 2 mills without election. Funds obtained through this method may be used for lease-purchase agreements. School districts by practice may utilize local impact fees. The largest local fund source is the Local Capital Improvement Fund, which provides for bond issue repayment from local property taxes.

V. TEACHER RETIREMENT

Funding in 190-91: $961.0 million (13.8% of total state school aid)

Descripton: Teacher retirement benefits are provided for under the Florida Retirement System. The membership of the system participates in a non-contributory plan. Contributions to the system are required of the employer and are set at a rate of 14.66% of members' gross compensation. The employer also contributes an amount equal to .48% of each member's gross salary as a health insurance subsidy contribution to be deposited in the Retire Health Insurance Subsidy Fund. The legislature annually appropriates an amount sufficient to make th necessary payments to the Florida Retirement System. Any deficit is appropriated from the general revenue o the state.

State and Local Shares: The Florida Retirement System is fully state funded. The state pays 100% of the employer shar

Extent of Participation: All 67 districts

VI. SPECIAL EDUCATION

Funding in 1990-91: Revenue for the support of exceptional student education is determined through the Florid Education Finance Program funding formula.

Description: The number of students in any of the 16 special education programs is multiplied by a program co factor for the specified program. The product is a "weighted full-time equivalent" and is multiplied by the ba student allocation ($2608.75) and represents state aid in support of exceptional student education. Exception student programs and their respective cost factors were as follows:

Educable Mentally Handicapped	2.161
Trainable Mentally Handicapped	2.990
Physically Handicapped	3.667
Physical and Occupational Therapy — Part-time	9.033
Speech, Language, and Hearing Therapy — Part-time	5.520
Speech, Language, and Hearing	3.337

Visually Handicapped, Part-time	13.856
Visually Handicapped	4.657
Emotionally Handicapped Part-time	3.793
Emotionally Handicapped	2.837
Specific Learning Disability Part-time	3.113
Specific Learning Disability	2.117
Gifted, Part-time	1.951
Hospital and Home-bound part-time	11.680
Profoundly Handicapped	4.479
Mainstream	
Grades K-3	2.062
Grades 4-8	2.000
Grades 9-12	2.392

State and Local Shares: No distinction is made between state and local shares. See Section II for discussion on state and local shares for the FEFP.

Extent of Participation: All 67 districts

VII. COMPENSATORY EDUCATION

Funding 1990-91: $43.6 million (less than 1.0% of total state school aid)

Description: To be eligible to receive funds, a school district describes in writing the compensatory education program. The description includes all special, remedial, and compensatory instruction provided by the district from all fund sources. Compensatory education must meet legislative criteria to qualify for funding. (*Fla. Stat.* 236.088(3)).

State and Local Shares: No distinction is made between state and local shares.

Extent of Participation: All 67 districts

VII. GIFTED AND TALENTED EDUCATION

Gifted and talented education is a component of Exceptional Student Education (special education).

IX. BILINGUAL EDUCATION

Funding in 1990-91: Funding for bilingual education is part of the state's foundation program.

Description: Bilingual education is one of the programs for at-risk students. The number of students in any of the 3 bilingual programs are multiplied by the program cost factor for the specific program. The product of the calculation is a "weighted full-time equivalent" factor and is multiplied by the base student allocation ($2,608.75). Bilingual programs and the respective cost factors are as follows:

Intensive English / ESOL K-3	1.695
Intensive English / ESOL 4-8	1.732
Intensive English / ESOL 9-12	2.392

State and Local Share: No distinction is made between state and local shares. See Section II for discussion on state and local shares for the FEFP.

Extent of Participation: All 67 districts

X. OTHER CATEGORICAL PROGRAMS

Funding 1990-91: $865 million (12.5% of total state school aid)

Description: Categorical and special allocations are added to the FEFP funding formula allocation and are distributed among the eligible school districts. The allocation is designed to assist in development and maintenance of activities giving direct support to the FEFP. There were 28 categorical and special programs funded by the legislature. These included community schools, school lunch, instructional materials, student transportation, student development centers, diagnostic and learning resource centers, comprehensive health education, library media materials, career education, challenge grant program for the gifted, dropout prevention, educational improvement grants, elementary school foreign language, high cost science labs, high performance incentives, in-school child care, instructional strategies enhancement, increased student learning and productivity, K-3 improvement, middle childhood education, middle school advisement, migrant education, pre-school projects, school resource officers, school bus replacement, school volunteer programs, state compensatory education supplement, summer camps, summer inservice institutes, teachers as advisors, and writing skill enhancement. Funding for the 10 largest programs was:

K-3 Improvement Program	$175.5 million
Preschool Projects	51.0 million
Middle Childhood Education	43.9 million
Student Development Services	36.7 million
Writing Skills Enhancement	33.9 million
Instructional Strategies Enhancement	27.0 million
Library Media Materials	11.3 million
Summer Inservice Institutes	11.3 million
High Performance Incentives	10.0 million
Dropout Prevention	8.6 million

State and Local Shares: No distinction is made between state and local shares. See section II for discussion on state and local shares for the FEFP.

Extent of Participation: All 67 districts

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $51 million (less than 1.0% of total state school aid)

Description: Pre-kindergarten education is part of categorical and special allocations. Children who have attained the age of 3 years on or before September 1 of the school year are eligible for admission to prekindergarten early intervention programs.

State and Local Shares: No distinction is made between state and local shares.

Extent of Participation: All 67 districts

XIII. LOCAL SCHOOL REVENUE

The property tax is the only local source of revenue for public schools. In 1990-91, it generated approximately $2.5 billion. Based on the 1990 certified tax roll, the Commissioner of Education computed and certified the required local effort millage rate for each school district. In calculating the FEFP for the current fiscal year, each district's deduction for required local effort was the certified millage on 95% of the nonexempt assessed valuation of the district. In the event that the millage rate produced more than 90% of a district's total entitlement, the district's rate was adjusted to produce 90%.

The amount of revenue produced by applying the average computed required local effort millage rate of 5.864 mills to the tax roll was adjusted by an equalization factor for each district. The millage rate resulting from application of the equalization factor was added to each district's required local effort millage as additional required local effort for equalization.

All real estate and tangible personal property are assessed at just value. Farm land, when used for bona fide agricultural activities, are valued solely based on agricultural usage. The county property appraiser is responsible for determining the value of all property within the county.

XIV. TAX AND SPENDING LIMITS

The Constitution of the State of Florida limits the nonvoted property tax rate to 10 mills (Fla. Const. art. IX). In addition, each school board may levy a nonvoted current operating discretionary millage. The legislature annually prescribes the millage rate not to exceed 1.6 mills or 25 percent of the required local effort (*Fla. Stat.* Ch. 236.24). School boards may levy up to 2 mills toward the nonexempt assessed valuation to fund capital projects. The state constitution prohibits a state income tax.

XV. EARMARKED STATE REVENUE

Thirty-eight percent of the revenue generated from the state lottery was earmarked for education enhancement.

GEORGIA

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I. GENERAL BACKGROUND

State

- In 1986 the Quality Basic Education (QBE) act replaced the Adequate Program for Education In Georgia (APEG) which had been in place since 1975. Under QBE the state financial support for public education increased dramatically. More than $908.9 million in new state funds were appropriated under QBE for the 1986 fiscal year over the funds appropriated under APEG in 1985.
- State funds for public elementary and secondary schools come primarily from state sales and income taxes.

Local

- The state has 184 school systems. Of these, 159 are fiscally independent county district systems, and 25 are fiscally dependent city school systems. In addition, there are 16 Regional Educational Service Agencies (RESAs) and 24 regional psychoeducational centers.
- The implementation of QBE substantially increased the amount of money local school systems had to contribute for participation in the program. Whereas APEG required a local contribution equivalent to a levy of about 1.25 mills on a 40% assessment of nonexempt local property, QBE requires a local effort equivalent to a 5 mill levy.

Funding Summary, 1990-91

Total State School Aid (All Programs)[1]		$2,851 million
Grants in Aid	2,847 million	
Teacher Retirement Contributions[2]	4 million	
FICA	0	
Total Local School Tax Revenue		1,463 million
Total Combined State and Local School Revenue		4,314 million
State Financed Property Tax Credits Attributable to School Taxes[3]	N.A.	

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[1] Includes the K - 12 portion of general obligation bonds issued by the state for capital outlay.

[2] Teacher retirement and health insurance funds are included as part of the base funding under QBE and separate appropriations were not made except for managers of transportation, school food service, maintenance, and warehouses who chose to transfer to the teachers' retirement system from the public school employees retirement system.

[3] Although Georgia does utilize homestead exemptions for property tax relief, this figure was not available.

II. THE BASIC SUPPORT PROGRAM

Quality Basic Education

Funding in 1990-91:	QBE Basic Formula	$2,475 million (86.7% of total state school aid)
	Equalization	$143.5 million (5.0% of total state school aid)

Nature of Program: The Quality Basic Education (QBE) program is a foundation program, with a power equalization component, which annually guarantees a financial support base per weighted full-time equivalent pupil. (H.B.284).

Units: Pupils. Weighted Full Time Equivalent (FTE).

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: For each local school system, the basic program entitlement for support of programs under QBE is determined by multiplying the weighted FTE pupil counts by the guaranteed financial support base. In 1990-91, the guaranteed financial base was $1602.40 per weighted pupil.

In addition to the basic program entitlement, the state subsidizes districts that are below the 90th percentile in property wealth per pupil and that generate local revenues above those required for the QBE. For each of 3.25 adjusted mills (or an equivalent amount of local funding from other sources) above 5, the state transmits the difference between the amount of money generated and the amount of money that would be generated by the district at the 90th percentile in property wealth per pupil. This process "district power equalizes" each 3.25 mills of local effort above 5. An adjusted mill is one which has been weighted to compensate for error in property assessments. (For example, if property is assessed at 20% of fair market value, rather than the required 40%, each mill would be multiplied by 2 to compensate for the under assessment.)

State Share: The state share of the basic support is determined in 2 parts. The first part is equal to the difference between a district's basic entitlement and the district's fair share. The second part is equal to the amount of funding under the state's district power equalizing plan. The total state share is equal to the sum of these 2 parts.

Schedule of Payments. Funds for program entitlements under QBE are distributed to local school systems in 12 equal monthly payments.

Local Share: Each district's required local effort, or local fair share, of QBE is equal to the amount of revenue that would be generated by a 5 mill property tax rate on assessed property equalized at 40% of true market value. Exceptions to this formula are made for those districts whose local fair share contributions would exceed 50% of their QBE earnings. For these districts the local fair share contributions are limited to 50% of their QBE earnings. The local fair share totaled $517.1 million in 1990-91. *Effective July 1, 1992 the 50% limitation is removed.*

Technically, local districts are not required to levy the 5 mill local fair share, but are required to generate the amount of revenue that would be raised by the 5 mill levy. This money could technically be generated through gifts or any other means that is legally permissible. However, all districts levy more than the required 5 mills, and raise more money than required by the state from local sources.

Weighting by Grade Level: The program weights used in funding QBE for the 1990-91 school year are as follows:

1. Kindergarten	1.34581
2. Primary Grades (1-3)	1.26534

3. Upper Elementary Grades (4-5)	1.02005
4. Middle Grades (6-8)	1.00000
5. High School General Education (9-12)	1.00134
6. High School Nonvocational Labs (9-12)	1.21943
7. High School Vocational Labs (9-12)	1.33535
8. Category I Special Education (Self-contained specific learning disabled and self-contained speech-language disordered pupils)	2.24601
9. Category II Special Education (Mildly mentally handicapped pupils)	2.58274
10. Category III Special Education (Behavior disordered, moderately mentally handicapped, severely mentally handicapped, resourced specific learning disabled, resourced speech-language disordered, self-contained hearing impaired and deaf, self-contained orthopedically handicapped and other self-contained health impaired pupils)	3.26479
11. Category IV Special Education (Deaf-Blind, profoundly mentally handicapped, visually impaired and blind, resourced hearing impaired and deaf, resourced orthopedically handicapped and resourced other health impaired pupils)	5.23623
12. Category V Special Education (Intellectually gifted pupils)	1.58253
13. Remedial Education	1.31299

Adjustments for Special Factors: Adjustments to the basic funding program are made for (1) pupils enrolled in programs that are not eligible for funding, (2) contracts between local systems, (3) the training and experience levels of local teachers, (4) systems operating middle schools as defined by the state, (5) changes in pupil counts, (6) sparsely populated school systems, (7) English to speakers of other languages, and (8) special instructional assistance.

Noneligible Programs. Under QBE, some courses and activities are specifically excluded from funding. Study halls, noncredit courses, driver's education, and courses that do not devote a major portion of time to competencies adopted by the Georgia Board of Education, courses that require competitive participation in an extracurricular activity, service as a pupil assistant unless the activity is an approved career or vocational education work program, individual study courses without outlines of course objectives, courses requiring fees or tuition of resident pupils, and courses requiring fees or tuition in excess of the local costs per pupil of nonresident pupils are specifically excluded from funding.

Contracts Between Systems. Some Georgia school districts contract with other districts to educate some of their pupils. The district in which the pupil resides usually pays the receiving district an amount of money to help defray the local cost of educating that pupil. Under these circumstances, unless adjustments are made, the sending and receiving districts' local contribution per pupil would be distorted. To remedy this situation, the property wealth per pupil figures and consequently the equalization grants for both the sending and receiving district are adjusted. The pupil is included in their district of residence in the calculation of property wealth per pupil, but are then also counted in the district where they attend school when the amounts of equalization grants are calculated.

Training and Experience of Teachers. The funding entitlements of local school districts initially are computed based upon each teacher in each district having the equivalent of a bachelor's degree and having no teaching experience.

For those teachers exceeding these minimum requirements, adjustments are made to reflect their "guaranteed" salaries under the state supported schedule of minimum salaries for teachers. These adjustments are reflected in each district's entitlement for funding under QBE.

Middle Schools. An incentive grant of an additional 13% of the basic QBE entitlement is granted for local systems which operate middle school programs according to criteria established by the Georgia Board of Education. Grades 6,7, and 8 are eligible for funding under this incentive grant. The programs are required to include organized teacher teams with common planning times, emphasis on basic skills reinforcement and preparation for high school content, as well as course options which emphasize individual development and transition into adolescence.

Size. The minimum sizes required for full support under QBE are 3,300 full-time equivalent pupils for school districts, 450 full-time equivalent pupils for elementary schools, 625 full-time equivalent pupils for middle schools, and 970 full-time equivalent pupils for high schools. Since QBE funding is based of FTE pupil counts, school systems below these minimum sizes, receive funding reflecting a pro rata portion of full funding for district level resources and services such as superintendents, secretaries, visiting teachers, and accounting services. Similarly, schools below minimum sizes receive state support for a pro rata portion of support services such as those provided by principals, media specialists, secretaries, and assistant principals.

Pupil Counts. Because the QBE formula is based on pupil counts taken in previous school years, school districts with growing pupil populations need to have their funding adjusted for current pupil counts. Adjustments are made in January for changes in pupil counts from the previous year for districts with increasing pupil populations. Districts with increasing pupil counts receive proportionally more money. However, districts with decreasing pupil counts continue to receive the amount of funds calculated from the pupil counts from previous years.

Consolidation. Local districts that consolidate with other local districts are not required to finance any portion of state approved construction or renovation costs brought about because of the consolidation. If a local school of less than the base size specified is consolidated with another school containing the same grade levels so that the new school is larger than the specified base size, then the local district is required to pay only half the normal local share for any state-approved construction or renovation. The state pays all of the facilities costs for consolidation of schools across district lines.

There are 2 special conditions for receiving financial incentives for consolidation of schools or school systems. One is that no student would be required to travel a greater distance or time than permitted by state board policy. The second condition is that all schools eliminated by consolidation continue to be used for educational purposes, if practical.

Sparsity. Under certain conditions, school districts may be eligible for special financial assistance because of sparsely populated areas. One, the district must be unable, due to sparsity, to offer a full QBE program to all or some of its pupils. Two, consolidation or merger within and between districts would not create schools or districts of sufficient size for QBE or would result in excessive travel time for pupils. Three, the district must have attempted to consolidate with another district, but the other district rejected the offer. If any of these three conditions exist the Georgia Board of Education will cause a study to be conducted to determine if consolidation is feasible and if it is not to determine what additional resources are needed. Based on the results of this study, the district will receive additional funds to operate the school in the sparsely populated area. Every five years the study must be conducted again. If a district is to remain eligible for sparsity funding, then it must not reject an offer to consolidate with another school district.

Districts Off Formula: None

III. TRANSPORTATION

Funding in 1990-91: $115.8 million (4% of total state school aid)

Description: Pupils who reside more than 1.5 miles from the school which they attend are provided free transportation to and from school. In addition, handicapped pupils are provided free transportation. (Georgia Code Section 20-2-188)

State and Local Shares: School systems are provided funding for pupils transported on routes and buses approved by the Georgia Department of Education. In addition to compensating systems for current operating costs, the state pays each system 12.5% of the current purchase price of conventional buses each year for 8 years and 10% of the current purchase price of larger diesel powered buses each year for 10 years. Current operational expenditures exceeding the costs funded by the state are borne by the local school systems. For example, many systems transport pupils who live within 1.5 miles of the school which they attend. These pupils are transported entirely at local expense.

Extent of Participation: 183 districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

Funding in 1990-91: $64.9 million (2.3% of total state school aid)
This is the K-12 portion of the general obligation bonds issued by the state for capital outlay.

Description: In order to participate in the state's facilities financing plan, local school systems are required to submit 5 year capital outlay plans and to have these plans approved by the Georgia Department of Education. Facility plans may include the space needed for all funded QBE programs. If additional state funds are available, the plans may include space for other programs such as driver education or facilities that are used primarily for interscholastic competition. Funding also is provided to finance the construction and renovation needed to consolidate smaller schools into larger schools. (Georgia Code Section 20-2-260)

State and Local Shares: The cost to each local system is based on its ability to pay as determined by its property wealth per pupil. The wealthiest system is required to pay 25% of approved construction costs while the poorest system is required to pay 10% of approved construction costs. The state pays the remainder of approved costs.

Extent of Participation: 82 districts

Local Bonds

The state provides no funds for local bonds. The bonding capacity of each local school system is determined by the value of the taxable property within the system. No district may sell bonds in excess of 10% of the value of the property within the system. In order for a bond issue to be passed, a majority of the people voting must approve the bond referendum.

V. TEACHER RETIREMENT

Funding in 1990-91: $3.7 million (less than 1.0% of total state school aid)
This is a separate appropriation for classified administrative personnel.

Description: The teacher retirement plan is funded as part of the basic QBE program and is available to all public school teachers and other certificated personnel employed by local school systems who participate in the plan. The QBE funding amount for retirement is not calculated separately. Entitlements are computed based on program weights for children in different cost programs.

The amount of funding shown here is for classified school administrators participating in the state's teachers' retirement system. The teacher retirement plan also makes provision for including some Georgia Department of Education personnel and employees of the University System of Georgia.

State and Local Shares: The teacher retirement plan is financed by individual contributions of 6% of salaries and employer contributions of 11.81% of salaries provided for in the QBE formula. QBE teacher retirement entitlements are disbursed directly to the local school system, which, in turn, pay the teacher retirement system.

Extent of Participation: 184 districts

VI. SPECIAL EDUCATION

Funding in 1990-91: $248.6 million (8.7% of the total state school aid)
(Amount shown is included in the QBE Basic Formula funding of $2,475 million.)

Description: The state provides a comprehensive special education program ranging from programs for children at birth through 4-years-old with severe handicapping conditions to programs for the profoundly mentally handicapped through age 21. (Georgia Code Section 20-2-152)

State and Local Shares: Special education programs are funded as part of the QBE program and do not require additional local contributions. However, districts funding these programs beyond the QBE level are responsible for the excess costs.

Extent of Participation: 84 districts

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $73.2 million (2.6% of total state school aid)
(Amount shown is included in the QBE Basic Formula funding of $2,475 million.)

Description: There are two compensatory education programs operating in Georgia public schools, the special instructional assistance program and the remedial education program.

The special instructional assistance program is limited to pupils in grades K-5 who are identified as having developmental lags that result in difficulty performing to expectations of children their own age.

The remedial education program is limited to children who are significantly below their grade placement in academic achievement. In grades 2-5 and in grade 9, eligibility is based on standardized test scores of the 25th percentile or below in mathematics or reading. Students in grades 10 and above are eligible if their scores on the state required Basic Skills Test in mathematics, reading or writing are below the scores required for graduation from high school. (Georgia Code Section 20-2-153 and 20-2-154)

State and Local Shares: Both the special instruction assistance and remedial education programs are funded as part of the QBE Act and do not require additional local contributions. However, districts funding these programs beyond the QBE level are responsible for the excess costs.

Extent of Participation: 184 districts

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $26.8 million (less than 1.0% of total state school aid)
(Amount shown is included in the QBE Basic Formula funding of $2,475 million.)

Description: Special programs are funded for intellectually gifted pupils. The maximum district average class size for pupils in these programs is 14.5 in the elementary grades and 18.5 in the high school grades. (Georgia Code Section 20-2-152)

State and Local Shares: The programs for the intellectually gifted are funded as part of the QBE act and do not require additional local contributions. However, districts funding these programs beyond the QBE level are responsible for the excess costs.

Extent of Participation: 184 districts

IX. BILINGUAL EDUCATION

Funding in 1990-91: $4.2 million (less than 1.0% of total state school aid)
(Amount shown is included in the QBE Basic Formula funding of $2,475 million.)

Description: Special instructional assistance is provided for pupils whose native language is not English. The program is designed to help these pupils to develop fluency in English including listening, speaking, reading, and writing. (Georgia Code Section 20-2-156)

State and Local Shares: The bilingual program is funded as part of the QBE act and does not require additional local contributions. However, districts funding these programs beyond the QBE level are responsible for the excess costs.

Extent of Participation: 184 districts

X. OTHER CATEGORICAL PROGRAMS

In-School Suspension

Funding in 1990-91: $15.0 million (less than 1.0% of total state school aid)
(Amount shown is included in the QBE Basic Formula funding of $2,475 million.)

Description: The in-school suspension program is designed as an alternative to suspension or expulsion for seriously disruptive pupils. These students typically are placed in locations isolated from other pupils where they are expected to follow strict rules of behavior. They are also expected to continue their regular classroom assignments and are given intense instruction designed to remediate deficiencies in basic academic skills. As part of the QBE program each district was entitled to funds to support 1 teacher for grades 6-8, and 1 teacher for grades 9-12. (Georgia Code Section 20-2-155).

State and Local Shares: The in-school suspension program is funded as part of the QBE act and does not require additional local contributions. However, districts funding these programs beyond the QBE level are responsible for the excess costs.

Extent of Participation: 184 districts

Professional Staff Development

Funding in 1990-91: $22.0 million (less than 1.0% of total state school aid)
(Amount shown is included in the QBE Basic Formula funding of $2,475 million.)

Description: Funding for staff development in provided for teachers and other local system employees to correct identified weaknesses, gain skills in areas needed by the system, and to improve individual competencies. (Georgia Code Section 20-2-182)

State and Local Share: Staff development programs are funded as part of the QBE act and do not require additional local contributions. However, districts funding these programs beyond the QBE level are responsible for the excess costs.

Extent of Participation: 184 districts

Regional Educational Service Agencies and Psychoeducational Centers.

Funding in 1990-91: $6.9 million (less than 1.0% of total state school aid)
(Amount shown is included in the QBE Basic Formula funding of $2,475 million.)

Description: Sixteen Regional Educational Service Agencies (RESAs) provide local districts with assistance in the following areas: planning and research, staff development, curriculum and instruction, assessment and evaluation, and electronic technology. Each of the 16 RESAs is governed by a local board of control, one-third of whose members must not be educators or holders of public offices. Eight RESAs are fiscal agents for the psychoeducational centers in their districts and the local systems are fiscal agents for the remainder of the centers. (Georgia Code Section 20-2-270)

State and Local Shares: RESAs are funded as part of the QBE Act and do not require additional local contributions for basic services; however, each board of control may establish fees for additional services.

Extent of Participation: 184 districts

Severely Emotionally Disturbed Children

Funding in 1990-91: $31.6 million (1.1% of total state school aid)

Description: These funds are appropriated for those severely emotionally disturbed children who need services that cannot efficiently be provided by local school systems. The programs supported by these funds are provided by the 24 psychoeducational centers. (Georgia Code Sections 20-2-152, 270, and 274)

State and Local Shares: This is a state appropriation and requires no matching local funds. The funds are appropriated directly to the regional psychoeducational centers or through local fiscal agents to the centers.

School Lunch

Funding in 1990-91: $24.6 million (less than 1.0% of total state school aid.)

Description: These funds are distributed to local school districts based on the number of meals served, efficiency (as determined by a productivity formula), and special supplements for food service managers. (Georgia Code Section 20-2-187)

State and Local Shares: There is no required local contribution for participation in this program.

Extent of Participation: 184 districts

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

None.

XIII. LOCAL SCHOOL REVENUE

The primary sources of local revenue are property taxes and special purpose local sales taxes. Although local systems are not required to generate the local contributions for participation in QBE from local property taxes, most do. Independent local school systems may levy millage rates of up to 20 mills without direct approval of the voters. Rates above 20 mills require approval by a majority of the voters in local referenda. School systems that are fiscally dependent must have their budgets approved by another agency. In most cases, fiscally dependent school systems operate under the control of local boards of county commissioners.

The local property assessment ratio is 40% of the current fair market value. To insure equity in assessment practices, sales/assessment studies are conducted annually by the Georgia Department of Audits. These ratio studies are used in determining local fair share contributions for QBE purposes.

Local school boards have the option of asking local voters to approve local sales taxes for special purposes. These sales taxes are to be used for special purposes and are of limited duration. When the purposes change or the initial time limits expire, the taxes can only be extended by another referendum.

In 1990-1991 local school systems raised approximately $1,443 million from property taxes and approximately $20.1 million from local sales taxes.

Homestead Exemption

Based on 40% assessment rates, homeowners are provided a $2,000 exemption. The elderly are entitled to homestead exemptions ranging from $4,000 to $10,000 depending upon age and income. Totally disabled veterans are entitled to exemptions of up to $38,000. For FY 1991, these exemptions totaled about $6.6 billion in property value.

XIV. TAX AND SPENDING LIMITS

The state imposes a limit of 20 mills on local property taxes for current operation without approval of local voters through referendum.

XV. EARMARKED STATE REVENUE

None.

HAWAII

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I. GENERAL BACKGROUND

- Hawaii has a unique governance structure for public education, a single statewide school district. Likewise, the system of financing public education is different than any other state. The 2 major differences are:
    1. No property tax funds are levied to support education.
    2. There is no constitutionally or legislatively prescribed formula for allocating funds to schools.

- The elected Board of Education has no independent authority to raise funds to be used for either operational or capital improvements. The funds for the operation of the public schools are determined by the legislature on a biannual budget basis and are actually disbursed by the Governor.

- State support for the operation of the public schools comes from the general fund which is the repository for all non-earmarked taxes. The major taxing sources in 1991 were the General Excise Tax which raises 47% of the revenues, Personal Income Tax, 33%, Corporate Income Tax, 4%, Accommodation Tax, 3%, and approximately 13% is raised from a variety of special taxes such as the inheritance tax, a tax on banks and corporations, liquor, various license fees, and other use taxes. All of these monies accrue to the state general fund and are disbursed by actions of the state legislature. All of the funds from the federal government (Chapters I and II, impact aid and special education money, for example) also are deposited in the state general fund and are considered as a part of the appropriation for public education.

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: Total State Appropriation: $642.7 million
Expended: $610.9 million

Nature of Program: Full State Funding.

Units: Does not apply.

Local Fiscal Capacity: Does not apply.

How Formula Operates: Since all of the funding for public education is of state actions, perhaps the best method to portrait it is by describing the process. In this case, clearly "the mode is the measure of power."

The "players" in the process are:

The Board of Education. The Board of Education (B.O.E.) has the constitutional responsibility to "formulate policy and exercise control over the public school system," but has no power to tax nor allocate general fund monies. Its major function in the allocation process is to present to the governor an advisory budget which they perceive is necessary to operate the public schools of the state. The Board, or its members, occasionally lobbies for aspects of the allocation budget later in the process.

Governor. The Governor has the constitutional responsibility to present a balanced biannual budget to the legislature. To carry out this function, he receives the advisory budget from the Board of Education and each of the other state departments. The Department of Budget and Finance (B&F), a part of the executive branch, assists in the budget endeavor by forecasting the tax revenues for the upcoming biennium and creating an asking budget that is balanced.

The State of Hawaii uses a program budget format which means that all of the activities of each department are budgeted under one of several level III programs. (There are 17 programs in the D.O.E.) The budget is arrayed by department, which is level II, and by program within the department which is titled level III. Within each program, the operating budget is predicated on 3 categories of funds.

1. Current services: These are funds allocated in prior budgets to a particular program. Once an item (unless specified by the legislature as non-recurring) has received an appropriation in a biannual budget it becomes a permanent item in subsequent budgets. Each of the current services workload items which is expressed in dollars is increased in each succeeding budget by an amount projected by B&F as sufficient to adjust for economic growth. Each program has a personnel position cost which designates the number of employees (permanent) that can be or are employed to carry out the functions. The B.O.E. cannot hire additional personnel for any program unless authorized by legislative appropriation, and an approved permanent position count.

2. Workload increases: This part of the budget allocates additional funds, if necessary, to carry out the activities which have been budgeted in section 1 above for increased numbers of students. In the case of the B.O.E. more dollars for more teacher positions for "EDN 105 Regular Instruction" would be allocated if, for instance, student enrollment in the system had increased during the previous year.

3. New Programs: This part of the budget funds new initiatives of the various departments of the government. If, for instance, the B.O.E. wishes to develop a new or different instructional method, guidance program, or a new alternative education program for a sub-population of students, the funding and new positions would be budgeted in this part of the asking budget.

Another asking budget is developed for capital improvements. In Hawaii, this might include anything from remodeling a room in a school to building a school. Typically, money is allocated in 3 phases — planning, site preparation, and construction and furnishings.

The governor's budget which invariably differs significantly from the advisory budgets of the various departments, is forwarded to each house of the legislature prior to the session which begins on January 20th of each year.

Legislature. When the governor's budget is transmitted to the legislature, it is distributed to the subject matter committee. There is an Education Committee in both the House and the Senate. At that time, the chair of the committee reviews the governor's budget, receives a copy of the B.O.E. advisory budget, and spending initiatives from interested legislators (which are entered as spending bills). The chair then holds hearings on the various aspects of the budget

During these hearings there is little or no debate on the Current Services budget (as this is treated as permanent funding), likewise the workload increase gets little scrutiny. Included in these categories of expenditure are an estimate of the federal funds for the various programs that receive federal dollars — about 13% of the total operating budget.

The majority of the committee debate occurs around the third aspect of the governor's budget — New Programs — as well as items from the original B.O.E. budget which did not survive into the governor's budget and a variety of money appropriation bills which had been introduced by various legislators. At the conclusion of these hearings, the chair of the committee in each house submits to the Speaker of the House, or the President of the Senate their recommended appropriation for education for the biennium. The recommendation includes a specific amount to be expended for each of the 17 programs in education (EDN). Within the program budget, funds are earmarked for specific projects, including the "pet" projects of legislators that may not have appeared in either the B.O.E. or the governor's budget.

The recommended appropriations from all departments of the government are then forwarded to the "money committees," i.e., House Ways and Means and Senate Appropriation, where each committee crafts its version of the state budget. Since they never agree, a joint committee hearing is held (mostly in closed session). The New Program items for education often are substantially different after the hearing than prior to it. Amounts which had been in all of the preceding phases of the allocation procedure are occasionally changed. Some items are deleted and new items (or old ones thought dead after the Education Committee deliberations) often appear. When the Appropriation Bill is passed by the legislature the Department of Education (D.O.E.) knows how much has been allocated by the legislature to expend each year of the biennium. [Art VII Sec. 8 Hawaii State Constitution]

Governor. The governor may line item veto appropriations, but has not done so during the past 20 years. However, even after signing the biannual appropriation bill, the governor can still regulate the expenditure of education funds. The statutes require the governor to maintain a balance between the quarterly tax revenues and the expenditures. To assist, the Department of Budget and Finance (B&F) makes a forecast of the revenues for each upcoming quarter. An "independent" body called the Council on Revenues, that is appointed from among bank economists and others, also make an estimate. When these estimates are less than projected expenditures, the governor can withhold money previously appropriated by the legislature. [Chap. 37 HRS]

The Department of Budget and Finance has the authority to determine where the cuts will be made. They often decide on reduction or elimination of a particular project or a freeze on hiring certain personnel. Thus, a new money item in education may make it through the appropriation process and still not be funded due to action by the executive branch. There is no formal appeal route to protest the cuts made by B&F. During FY 1990-91, the restriction amounted to $16 million of appropriated funds for the Department of Education or approximately 3% of the total available appropriation.

There is no provision in the statutes to allow the Department of Education to borrow money through issuance of bonds or warrants. Thus, the amount appropriated by the legislature and released by the executive branch is the maximum that can be expended. [Art. VII Sec. 4 Hawaii State Constitution]

There is also a constitutional expenditure limit. The appropriations in any budget cycle cannot exceed the estimated rate of growth in the state economy. The restriction is for the entire appropriation bill so it may or may not affect the funds appropriated for the Department of Education. [Art. III Sect. 9 Hawaii State Constitution]

Thus, the D.O.E. does not know precisely the funds they have to expend until they receive notice of action taken by the executive branch on the funds previously appropriated by the legislature.

Programs Funded

Some of the EDN programs funded are:

EDN 105 — Regular Instruction: Operating $238 million; Investment $74.9 million
EDN 106 — Other Regular Instruction: Operating $65.5 million
EDN 203 — School Administration: Operating $30.7 million
EDN 204 — Instructional Media: Operating $11.1 million
EDN 205 — Instructional Development: Operating $9.7 million
EDN 206 — Counseling: Operating $13.2 million
EDN 207 — Student Activities: Operating $5.7 million
EDN 208 — Psychological and Social Work Services: Operating $10.8 million
EDN 303 — State Administration: Operating $19.7 million
EDN 304 — Direct Administration: Operating $10.7 million
EDN 305 — School Food Services: Operating $43.5 million; Investment Capital 10.6 million
EDN 306 — Safety and Security: Operating $3.5 million
EDN 307 — Physical Plant Operations and Maintenance: Operating $33.8 million
EDN 406 — Adult Education: Operating $5.6 million

State Share: Full State Funding.

Local Share: Does not apply.

Weighting by Grade Level: Does not apply.

Adjustments for Special Factors: Does not apply.

Districts Off Formula: Does not apply.

III. TRANSPORTATION

AGS 808 — Student Transportation

Funding in 1990-91: $23.9 million

Description: The total operating costs for providing student transportation is appropriated to the Department of Accounting and General Services. No money is appropriated to the Department of Education for that purpose.

Account and General Services (AGS) is responsible for either providing transportation service through its own vehicles and personnel or entering into contractual arrangements with private providers. Only about 5% of eligible students are involved in state operated transportation and approximately 95% of the students are transported by private providers. Neither the Board of Education nor the Department of Education has management role in this endeavor. The routing, maintenance, driver qualifications, etc. are all directed by AGS.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Improvements

Funding in 1990-91:
Completed or Under Construction $93.7 million
In Process of Award $51.6 million
In Planning $112.1 million

Description: All capital improvement projects for the Department of Education must be approved by the legislature, and be part of the Capital Improvement Appropriation Bill. The technique used to get projects into the appropriation is similar to that used for all operating monies which was described in the preceding section.

At present, all capital improvement projects are funded from current tax revenues. No general or special obligation bonds for education projects have been authorized by the state for at least the past 10 years. There are still some old bond obligations which had an interest and principal repayment of $335,222 in FY 1990-91.

In 1989 the legislature created a State Educational Facilities Improvement Special Fund [Act 386 H.R.S.] into which a portion of the state general excise tax is to be placed for a period of 10 years. An amount of $90 million per year is earmarked for capital improvements for education. The unexpended balance in each year shall be left to accumulate interest and is eligible for expending in succeeding years. Monies from the fund may only be expended for projects approved by the legislature of the state.

V. TEACHER RETIREMENT

Description: All teachers and other educational personnel of the public school district are members of the "Employee Retirement System of the State of Hawaii," which provides retirement benefits to all state and county employees.

There are actually 2 retirement plans in operation within the system. Prior to 1984, all employees paid 7.8% of their salary to the retirement system. In 1984, each employee could opt to continue to pay under the current system and be compensated at retirement on the basis of 2% of the average of the best 3 years of covered employment times the number of years of service. Or, they could opt to enroll under a non-contributory plan and be compensated on the basis of 1.25% of the best 3 years and service credit. Those employees who enrolled after January 1, 1985 were automatically under the non-contributory plan. Both are guaranteed payment plans. In addition, the state pays the total cost of the health insurance plan of each retiree.

The state pays the "employer" contribution to Federal Social Security.

VI. SPECIAL EDUCATION

Funding in 1990-91: General Funds: $40.4 million
Special Funds: $25,000
Expended General Funds: $35.4 million

Description: All funds allocated for the Exceptional Child Program (EDN 107) are appropriated by the legislature. Included in this program are provisions for instruction and related services for handicapped pupils during the regular school year and summer session. The gifted and talented programs provide a range of opportunities to enrich, accelerate, and challenge gifted and talented students.

VII. COMPENSATORY EDUCATION

Funding in 1990-91: General Funds: $9.0 million
Expended General Fund: $8.6 million

Description: Compensatory Education (EDN 108) provides specialized services to educationally disadvantaged students, immigrant children with limited or non-English proficiency, alienated youth, and other target groups with educational problems.

VIII. GIFTED AND TALENTED EDUCATION

See Section VI — Special Education.

IX. BILINGUAL EDUCATION

See Section VII — Compensatory Education.

X. OTHER EDUCATION INITIATIVES

The legislature has enacted 2 statutes which are designed to encourage more school level control of a portion of the appropriated state funds. They are:

School Priority Fund
(Chap 296-D H.R.S.)

It is the interest of the legislature that the school priority fund be used to provide the equitable distribution of educational resources statewide, to strengthen the scope of decision making and increase flexibility in resource allocation at the school level, and to provide a systematic method of conforming resource allocation to the unique needs and priorities of individual schools [296-1].

The superintendent of education (Ed Note: no mention of the board of education) shall allot the money of the school priority fund to the school district based upon enrollment.

After a reserve for the district is withheld the balance of the monies shall be allotted to the schools based upon enrollment. School principals shall consult with teachers, parents, and students to solicit their advice on the use of the monies. The principal shall submit (to the district superintendent) a plan for the use of the money. When it is approved according to state guidelines the money can be expended [296-4]. At present the amount per pupil is set by the D.O.E. at $35.00 per pupil.

Special Needs Schools

In FY 1990-91 a portion of the new money appropriation ($3.0 million) was earmarked to provide additional funding for 10 schools in one district that were identified as being low achieving schools. Each of the individual schools would receive $300,000 to be expended to improve the performance of the school. The requirements for expending the funds was similar to the statutory regulations cited in the Priority Funds legislation (see above). In each budget cycle one additional district, with ten low achieving schools would be added at the cost of an additional $3 million.

School Community-Based Management

296C H.R.S.

In FY 1990-91, the legislature recognized the concept of school based management by stating "The legislature finds that efforts must be made to ensure the excellence of Hawaii's public schools. Changes in the way the State's single school system is managed, particularly by restructuring the system to allow for more educational decision making at the school level and thereby increasing the involvement of those directly affected by the decisions, should increase accountability, and result in the excellence we seek."

The department of education through the board of education and its superintendent shall formulate policies, including criteria and procedures to determine which schools shall participate in the system to initiate S.C.B.M.

As part of the rules that have been established an initial group of up to 30 schools would develop and present plans for S.C.B.M. including requests for waivers of certain D.O.E. regulations. When approved by the Board of Education each school would receive an $11,000 planning grant. At present, approximately 20 schools have submitted plans.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Information not available.

XIII. LOCAL SCHOOL REVENUE

Does not apply.

XIV. TAX AND SPENDING LIMITS

Does not apply.

XV. EARMARKED STATE REVENUE

None.

IDAHO

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Research Director
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I. GENERAL BACKGROUND

State

- The state share of funding for public schools in Idaho has stayed relatively constant over the past 10 years. With the passage of a California Clone 1% Initiative in 1979, a shift of state funding from about 38% then to better than 65% in 1991 has taken place as the legislature has replaced lost local property tax revenue with state funds. In contrast, the share of the state's general fund budget appropriated for public schools has been on the decline since 1985.
- State funds for public schools come from the general fund (primarily state income tax and state sales tax revenues) as well as from other dedicated funds — the most prominent of which is the Public School Endowment fund — which get its revenue from rents, leases of state lands, and other similar sources. The appropriation is placed in the Public School Income Fund for distribution according to the formula.
- The name of the funding program is the Idaho Public School Foundation Program. The current program has been in effect since 1978 without major changes in the formula since that time. Over the past several years, there have been several internal and external studies and recommendations to change the formula. Few changes were actually made, however.
- The Public School Foundation Program consists of a combination of state and local funds which are distributed according to an equalizing formula based upon attendance units designed to assure each school district with uniform funding per unit.
- Two groups of school districts have filed motions with the courts of Idaho asking that the funding formula be declared unconstitutional. One of the groups — known as the "Hallett" group — contends that the formula is flawed and asks the court to require the legislature to put in place a formula which reduces or eliminates the inequities identified in the action. The other case — known as the "Huntley" group — contends that it is not the formula which is causing the inequities in educational opportunity in Idaho, but rather that not enough money is being appropriated by the legislature and thus asks the court to ensure adequate funding in the future. In late 1991, both cases were consolidated by the district court with trial scheduled for February of 1992.

Local

- There are 115 school districts, each financially independent.
- School districts are allowed, under legislated conditions, to levy property taxes up to a maximum determined by law without a vote of the patrons of the district. The maximum is set at four tenths of one percent (.4%) of the district's market value. There is no requirement that a district levy any property tax in support of its schools. If a district decides it needs more than the maximum allowed, it must then put that issue before the patrons and receive a majority vote in order to certify and receive that amount.

Funding Summary, 1990-91

Total State Aid (All Programs)		$478 million
Grants in Aid	403 million	
Teacher Retirement Contributions	40 million	
FICA	35 million	
Total Local School Tax Revenue		170 million
Total State and Local Combined School Revenue		648 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Public School Foundation Program

Funding in 1990-91: $335.8 million (70.3% of total state school aid)

Nature of Program: Foundation. The name of the funding program is the Idaho Public School Foundation Program.

Units: Support units. There are 6 categories of "support units" defined in the formula. Each has a legislated divisor table from with the number of units is calculated. A district estimates its best 28 weeks of Average Daily Attendance (ADA) in each category, finds the proper divisor in the table and calculates to 2 decimals and rounds to 1 to estimate the number of "support units" it will have funded in the next year.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: The program assures each district an equal amount made up of both state and local funds per support unit. A support unit has no relation to the number of classrooms or teachers which a district might have. The local share of the program is determined by a legislated tax rate and the adjusted market value of the school district. The adjustment in market value is a homeowners exemption of 50% of the market value of a taxpayer's principal place of residence.

The formula is rather basic in operation:

Total Foundation Program (State & Local) = Number of Units x Unit Factor

Minus the Local Share = (.00347 x Market Value)

Plus Categorical Add-Ons

The categorical add-ons will be discussed later.

The unit factor is derived by the State Department of Education by taking the total funds available from state sources, subtracting out all of the categorical funds, adding in the local (statewide total) equalization figure and then dividing by the number of support units available.

The method used to determine the distribution factor for the 1990-1991 school year is shown on the following page.

IDAHO

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I. GENERAL BACKGROUND

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- The state share of funding for public schools in Idaho has stayed relatively constant over the past 10 years. With the passage of a California Clone 1% Initiative in 1979, a shift of state funding from about 38% then to better than 65% in 1991 has taken place as the legislature has replaced lost local property tax revenue with state funds. In contrast, the share of the state's general fund budget appropriated for public schools has been on the decline since 1985.
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Minus the Local Share = (.00347 x Market Value)

Plus Categorical Add-Ons

The categorical add-ons will be discussed later.

The unit factor is derived by the State Department of Education by taking the total funds available from state sources, subtracting out all of the categorical funds, adding in the local (statewide total) equalization figure and then dividing by the number of support units available.

The method used to determine the distribution factor for the 1990-1991 school year is shown on the following page.

Category	*1990-91 Amount*	
1. State Appropriation		
General Account	$450.1 million	
Dedicated Funds	27.8 million	
Total State Funds		$477.9 million
2. Categorical Programs		
Transportation	23.0 million	
Ancillary Services	32 million	
Border Contracts	0.9 million	
Exceptional Child, Tuition Contract	2.2 million	
Funding Floor/Adjustments	0.75 million	
State Paid Benefits	74.9 million	
Mentor Program	0.75 million	
One-Time Acquisition	7.5 million	
Grants to School Districts	0.25 million	
Total Categorical Programs		142.1 million
3. State Funding Available		335.8 million
4. Local Share		90.1 million
5. Total Funds Available (line 3 + line 4)		425.9 million
6. Estimated Number of Support Units		10,500
7. 1991-92 Distribution Factor (line 5 / line 6)		$40,563.28

State Share: The state share for the foundation program is equal to the total foundation program amount minus the local share.

The State Department of Education (SDE) distributes the state moneys to the various districts on dates which are set by the legislature. Those dates are August 15, October 15, November 15, February 15, May 15 and July 15. The first 3 payments are not based upon actual enrollment but rather upon the previous year's distribution ratio. The SDE determines the percentage of the previous year's total distribution that each district received and it is that percentage of the new year's distribution which the district receives in the first 2 payments.

The final 3 payments are based upon actual enrollment with the SDE calculating the number of units each district has and adjusting the amount with each payment. In the final (July 15) payment, the SDE is required to disburse all of the moneys which have accrued to the Public School Income Fund during that fiscal year. All final adjustments to the number of units or the unit factor will be made at this time.

Each year adjustments are made due to unanticipated enrollment increases or decreases. While most of the numbers are set by the legislation and don't change, the final best 28 weeks of enrollment is not determined until after school closes in June. Thus the final number of units used in the determination of the final unit factor will not be known until shortly before the final payment calculations are made.

Local Share: Each district is required to determine its local share of the Foundation Program by subtracting out a statewide uniform tax rate calculated against the district's market value. By law this rate is .347%. While the state expects that this amount (.00347 x Mkt. Val) will be charged as local property taxes, there is no requirement that the district actually levy that amount. Thus it is possible, and has happened, that the district will not collect as much as the state has subtracted and thus that district will not receive the full amount of the unit funding formula.

Weighting by Grade Level: The following table was reproduced from information provided by the Idaho State Education Department.

Kindergarten Support Units

28 Weeks ADA	*ADA Per Unit*	*Units Allowed*
41 or more	40	1 or more as computed
31-40.99	—	1
26-30.99	—	.85
21-25.99	—	.75
16-20.99	—	.6
8-15.99	—	.5
1-7.99	—	count as elementary

Elementary Support Units

28 Weeks ADA	*ADA Per Unit*	*Units Allowed*
300 or more	23	15
160-299.99	20	8.4
110-159.99	19	6.8
71.1-109.99	16	4.7
51.7-71.0	15	4.0
33.6-51.6	13	2.8
16.6-33.5	12	1.4
1.0-16.5	n/a	1.0

Secondary Support Units

28 Weeks ADA	*ADA Per Unit*	*Units Allowed*
750 or more	18.5	47
400-749.99	16	28
300-399.99	14.5	22
200-299.99	13.5	17
100-199.99	12	9
99.99 or fewer	Units allowed as follow:	
Grades 7-12		8
Grades 9-12		6
Grades 7-9		1 per 14 ADA
Grades 7-8		1 per 16 ADA

Exceptional Education Support Units

28 Weeks ADA	*ADA Per Unit*	*Units Allowed*
14 or more	14.5	1 or more as computed
12-13.9	—	1
8-11.99	—	.75
4-7.99	—	.5
1-3.99	—	.25

Alternative High School Secondary Support Units

28 Weeks ADA	*ADA Per Unit*	*Units Allowed*
2 or more	12	1 or more as computed

Alternative High School Summer School Program Support Units

ADA divided by 40.

Adjustments for Special Factors: There are 2 types of hold harmless — usually called "flooring" — provisions in the formula. One protects a district in case of a severe enrollment decrease and the other ensures that a district will retain state funding at essentially the same level as the year before if market value increases by an unusually large amount.

The enrollment "flooring" factor provides that for funding purposes, a district will not lose more than 1.0% of its support units from one year to the next. However, the actual number of units becomes the basis of funding for the following year. Thus the provision only protects a district for a single year.

> Example of Enrollment Flooring Provision. A district that currently had 100 support units for funding purposes at the end of last year, loses enrollment over the next year so that by the end of the current year, it only has 95 support units. The flooring provision would require the district to calculate its funding for the current year by reducing each of the previous year's support unit categories by 1% and using that new total — approximately 99 rather than 95 — as the funding for this year. For the next year, the actual support units of 95 would be the basis for the flooring provision for the next year.

The state funding flooring provision provides protection for those school districts who either have a extraordinarily high market value or experience an unusually large increase in their market value from one year to the next. The state calculates the base support using the previous year's information and compares it to the proposed current year's calculations. If the previous year's funding per unit is higher, then that is what the district will receive for the current year.

> Example of the State Funding Flooring Provision. Two situations exist here. In at least one Idaho county (Blaine) which is the home of the Sun Valley resort area, the market value of the Blaine County school district is so large that when the equalization formula is applied, the local share exceeds the state share and thus would not receive any state funding for its district. This provision provides minimal funding for the district.
>
> In the other case, it is possible that the market value of a school district may increase so much that the increase in the local share exceeds the increase supplied by the state's appropriation. In that case, when the per unit amounts are calculated for each year, the previous year's amount will provide more per unit and thus will be used for calculation of the current year.

Districts Off Formula: None.

III. TRANSPORTATION

Funding in 1990-91: $23 million (4.8% of total state school aid)

Description: Districts are reimbursed 85% of the allowable costs for the previous year. Allowable costs are defined as those costs which are directly related to transportation of students to and from activities which are curriculum oriented. Districts which contract out their bus service are reimbursed at the same rate. Included in the amount is a bus depreciation allowance based upon the ages of the busses in each district.

State and Local Shares: The districts supply a listing of the allowable costs for the previous year and a listing of the cost and age of their busses. The state then determines the 85% to be reimbursed. The local district must fund all other transportation costs it incurs.

Extent of Participation: All districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Separate funding for these categories are not provided by the state. Each district may choose to expend a portion of its general maintenance and operation budget for these types of expenditures if they so desire.

School Plant Facilities Funds. School districts are authorized to create a School Plant Facilities Fund either by transferring General Fund moneys into it or by asking for a multi-year tax levy for funding. The multi-year tax levy requires a two thirds majority to pass and must identify the types of expenditures for which the funds will be used. Under certain conditions, depending upon bonded indebtedness, the two thirds majority may be lowered.

Bonds. School districts are authorized to submit to its patrons bond issues to build and furnish buildings. A two-thirds majority is required to pass any bond issue.

State Lottery Funds. Other state funds which go to public schools come from the state's lottery revenue. These funds are not part of the Foundation Program and must be used for capital outlay or expansion and may not be used for regular maintenance and operation. Fifty percent of the amount remaining after administrative costs of the lottery are deducted is distributed to the various school districts in the same ratio as each receives from the Public School Foundation Program. That is, if a school district receives 18% of the funds allotted in the Foundation Program, it will also receive 18% of the lottery money. This provision is due to "sunset" in 1992 and may not continue to be the way these monies are distributed.

V. TEACHER RETIREMENT

Funding in 1990-91: Retirement $40.1 million (8.4% of total state school aid)
FICA $34.8 million (7.3% of total state school aid)

Description: The state pays the employer's share of both the retirement system — the Idaho Public Employee Retirement System Inc. (PERSI) — and Social Security for all employees of the various school districts.

All public employees working more than 20 hours per week are required to belong to the Idaho Public Employee Retirement System. The system is a defined contribution system and funding for the employer's share is subtracted from the total appropriation prior to the determination of the unit distribution factor.

The payment for Social Security — including the Medicare percentage — is part of the categorical amount called "State Paid Benefits" that is subtracted out before the unit factor is determined. But, since the federal government requires that the actual employer pay the amount for each employee, this amounts to a reimbursement from the state to the district. On a monthly basis, each district reports to the SDE the amount it has paid in Social Security taxes and a check is issued by the state for that amount.

VI. SPECIAL EDUCATION

Funding in 1990-91: $32 million to reimburse salary (6.7% of total state school aid)
plus Exceptional Education Support units at $40,563 per unit.

Description: All districts participate in this program which is funded through the basic support program with additional support coming from the Chapter 1 Federal Special Education Program.

State and Local Shares: There are 2 methods the state uses to fund this program. The first reimburses the district for salaries for approved certificated and non-certificated positions within the district at a rate of 80% of the scheduled salary for the former and puts a maximum of $7,200 on the latter. Districts must submit an application describing the position for which reimbursement is requested, and only those positions approved are funded. In addition, one of the categories for support unit funding is the Exceptional Education Support Unit. Based upon the number of students which meet SDE rules, the number of support units for this category are determined and this money is provided through the distribution formula. The district assumes the remaining costs, if any, of this program.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

This program is handled within the Special Education Program.

IX. BILINGUAL EDUCATION

This program is handled within the regular language program or the special education program.

X. OTHER CATEGORICAL PROGRAMS

Border Contracts

Funding in 1990-91: $0.9 million (less than 1.0% of total state school aid)

Description: For any district which must place students in a school district in another state, a tuition contract is arranged for with the out-of-state district and the State pays the entire cost of that contract.

Exceptional Child and Tuition Equivalency Contracts

Funding in 1990-91: $2.0 million (less than 1.0% of total state school aid)

Description: Any district which contracts students out to other educational type facilities is entitled to apply to the state for reimbursement of those costs. If the contract is approved, the state assumes the entire cost of the contract.

One-time Acquisitions

Funding in 1990-91: $7.5 million (1.6% of total state school aid)

Description: The Legislature appropriated moneys to be used for one-time expenditures for capital outlay, supplies and materials, building renovation and other capital outlay type needs. A similar amount was appropriated to be distributed on a per student basis, but was not to be part of the funds distributed through the formula.

Funding Floor/Adjustments

Funding in 1990-91: $0.75 million (less than 1.0% of total state school aid)

Description: These funds are set aside to deal with the flooring provisions of the distribution formula and to make adjustments were estimates were shown to be incorrect early in the year.

Mentor Program

Funding in 1990-91: $0.75 million (less than 1.0% of total state school aid)

Description: Funding to provide developmental assistance to first year teachers and administrators. Districts apply for the funds based upon the number of first year teachers and/or administrators in the district.

Innovative Teacher Grants

Funding in 1990-91: $0.25 million (less than 1.0% of total state school aid)

Description: Individual teachers or groups of teachers were invited to submit applications describing various projects they would like to undertake and complete which would enhance their teaching. A committee appointed by the SDE screened the applications and determined those to be funded. Applications totaling over $5 million were received for the $250,000 available.

Grants to School Districts

Funding in 1990-91: $0.95 million (less than 1.0% of total state school aid)

Description: This is intended as an "Innovative Grants" program for Idaho Schools. Teachers were invited to develop and submit projects which were innovative in design and application. A committee appointed by the State Superintendent of Public Instruction screened the applications and awarded the funds.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Funding for this program is included in the Special Education Program described earlier.

XIII. LOCAL SCHOOL REVENUE

Funds from local financing for public schools come exclusively from the property tax. Districts are given 3 optional ways to determine what their local property tax charge will be. Those methods are:

1. Increase the tax charge by 5%.
2. Increase the tax rate by 5% and apply that against an estimated September Market Value.
3. Use the Equalizing levy amount (Market Value X .00347).

Districts were allowed to assess the largest of these charges which did not exceed a maximum charge set by law of four-tenths of one percent (.4%) of Market Value. In 1990-91, the local property tax generated $169.8 million in revenue.

Supplemental Levies. Local school districts are authorized to ask patrons to authorize "supplementary levies" by majority vote for any amount which exceeds the maximum described above. The amount raised by these levies is included in the local revenue total above.

Charter Districts. There are 3 "charter" districts which, while being legally required to follow the same rules as all other districts, have some additional rights depending upon the content of their "charter." These were school districts which were in place prior to the adoption of the Idaho constitution.

XIV. TAX AND SPENDING LIMITS

There are no state imposed limit upon spending by school districts. The only restriction on taxes is the maximum property tax which may be imposed without a vote of the patrons described in Section XIII above.

XV. EARMARKED STATE REVENUE

The only earmarked state money comes from the Lottery money described in Section IV.

ILLINOIS

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I. GENERAL BACKGROUND

State

- The state share of local and state revenue for public education has been decreasing slightly since a high in 1976 of 48.4%, to 37.7% in 1991.
- State funding for education is derived from the state sales tax and personal income tax, with some revenues also coming from the state lottery.
- The distribution of the General School Aid (GSA) to Illinois public schools is determined primarily on the equalized assessed valuation of property within a district, standardized across districts by a weighted average daily attendance student count. Aid is calculated using one of three formulas, depending on the equalized assessed valuation of district property: Special Equalization, Alternate Method, and Flat Grant.
- Elementary and secondary education received 26% of Illinois general funds in FY 1991, and 15.9% of all appropriated funds. These shares dropped in FY 92, to 24.7% of general funds and 14.9% of all appropriated funds.
- Illinois operates the fifth-largest public school system in the nation, with an estimated 1.84 million students enrolled in FY 1992.
- Illinois school finance has undergone several major changes over the years. Partly in response to *Serrano* v. *Priest*, in 1973 the Legislature allowed districts to choose from 2 methods of funding, a Strayer-Haig wealth equalization formula (equal aid irrespective of district property wealth) or a Updegraff-Coons resource equalization formula (equal expenditure for equal effort). In 1980, the Legislature replaced the 2 with a hybrid that has since evolved into its 3-formula funding system.
- A Task Force on Educational Finance has been deliberating for the last 2 years and is expected to report its findings to the General Assembly in the near future. It is anticipated that the report of the Task Force will call for a much higher foundation level than is currently used. The report may call for a regional cost-of-education index in the distribution formula and the allocation formula may be changed. The Task Force is expected to call for a shift in the tax burden from the local property tax to the state income and sales tax.

- Over 70 districts are suing in a case styled *The Committee* v. *Edgar*. The case alleges violation of the state's education article and the state's equal protection clause. There is also an "at risk" student count which alleges that, the categorical programs to the contrary not withstanding, the children in urban areas do not receive equal educational opportunity. Legal activity is also present over a recent statute that limits property tax extensions in the collar counties (those impacting Cook) to a 5% increase per year or the cost-of-living, whichever is lower. Finally, a group is also attempting to change Article X, the education article in the state constitution.

Local

- The state has 955 financially independent school districts; 751 are funded through the Special Equalization program and receive 96.1% of the GSA, 151 are funded through the Alternate Method and receive 3.6% of the GSA, and 53 are funded through the Flat Grant formula and receive .5 of the GSA allocation. School districts in the state are classified as elementary districts (of which there are 417), high school districts (114), and unit districts (424).
- Most school districts operate on a cash-accounting basis. Since income can be generated from current- or prior-year tax extensions, total local revenue for any one year's school district operation cannot be easily calculated.
- Local funding comes primarily from the property tax (about 95%). Property tax provides approximately 55% of all school revenues.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$3,319 million
Grants in Aid	3,020 million	
Teacher Retirement Contributions	299 million	
FICA	0	
Total Local Tax Revenue		5,562 million
Total Combined State and Local School Revenue		8,881 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

School Foundation Program
(Section 18-8)

Funding in 1990-91: $2,106.2 million (63.5% of total state school aid)

Nature of Program: Foundation program.

Units: Pupils. Chapter 1 Weighted Average Daily Attendance (CWADA).

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: Aid is distributed to a district under one of 3 methods: Special Equalization, Alternate Method, and Flat Grant. The actual wealth per CWADA determines which formula applies for calculating a district's funding.

The state aid formula compares the wealth per CWADA student of a district to a "state guaranteed wealth per CWADA," a level also known as a "state guaranteed tax base." This state guaranteed level varies for each of the 3 school district types. For 1990-91, the guaranteed wealth per CWADA is $131,664.73 for elementary districts, $227,420.90 for high school districts, and $90,638.76 for unit school districts.

The state-guaranteed tax base per CWADA student for each district type is mathematically related to a Foundation Level, which represents a guaranteed per-student floor of financial support. For 1990-91, the Foundation Level is \$2,501.63. Dividing this Foundation Level by a statutorily set "computational" Operating Tax Rate (OTR) for each district type yields the state guaranteed tax base for each district type. The OTR for elementary districts is 1.90%; for high schools, 1.1%; and for unit districts, 2.76%. For full funding, the district's actual OTR (excluding tax rates for community college tuition, bonds and interest, summer school, rent, capital improvements, and vocational education building purposes) must be equal to or greater than the computational OTR.

Special Equalization. The special equalization state aid computation can be expressed as follows:

$$\text{District State Aid} = \text{CWADA} \times [(V_s - V_d) \times T]$$

where: V_s = State guaranteed wealth per CWADA for the applicable type of school district;

V_d = General State Aid Equalized Assessed Valuation per CWADA student of the district;

T = Applicable Operating Tax Rate

In applying this formula for 1990-91, a district's equalized assessed valuation of real property for tax assessment year 1988 is used.

Tax rates used for 1990-91 formula calculations are the rates for tax year 1988. The formula above refers to an "applicable" OTR. The "applicable" OTR for calculation purposes varies with the type of organization of a school district and with the relationship of the district's actual OTR and the "computational" OTR set by statute. For formula calculation purposes, a computational OTR of 1.90% is utilized for elementary districts with an actual OTR of 1.28% or higher. In high school districts with an OTR of 1.10% or higher, 1.10% is the computational OTR. In unit districts with an OTR of 2.18% or more, 2.76% is used in the entitlement computation. In districts with OTRs below these minimums (i.e., 1.28% for elementary, 1.10% for secondary, 2.18% for units), the actual OTR of the district is used for the computation.

Each Special Equalization district receives an amount of \$321.21 or more per CWADA pupil. The state's poorest district receives an entitlement per CWADA pupil of \$2,344.71. For 1990-91, 751 districts received Special Equalization aid totaling 96.1% of the total GSA allocation.

Another way to arithmetically represent the Special Equalization Aid computation is to express the formula in terms of the Foundation Level:

$$\text{Aid} = \left(\text{Foundation Level} - \frac{\text{Local Revenue}}{\text{CWADA}}\right) \times \text{CWADA}$$

where: Local Revenue = the General State Aid Equalized Assessed Valuation of the district, multiplied by the applicable computational OTR.

Alternate Method. Districts whose actual wealth per CWADA is 87% or more of the state-guaranteed wealth per CWADA student use the Alternate method of General State Aid entitlement. The calculation is as follows:

$$\text{Aid} = \text{CWADA} \times \text{Foundation Level} \times .13 \times (.87\ V_s/V_d)$$

where: Foundation Level = \$2,501.63 per pupil

V_s = state-guaranteed wealth per pupil per CWADA student for the applicable district type;

V_d = the district's GSA equalized assessed valuation per CWADA student.

For 1990-91, 151 districts received Alternative Method aid totaling 3.6% of the total GSA allocation.

Flat Grant. For districts with the highest equalized assessments per CWADA student, the Flat Grant computation applies the statutorily set grant minimum of 7% of the Foundation Level or \$175.11 per CWADA student.

For 1990-91, 53 districts received flat grant aid totaling 0.5% of the GSA allocation.

State Share: The state share of the GSA is equal to the calculated amount for each district using one of the three funding schemes.

Local Share: There is no mandatory local contribution. Districts are responsible for costs not covered by the GSA.

Weighting by Grade Level: Pupils in prekindergarten through grade 6 are weighted 1.00; pupils in grades 7 & 8 are weighted 1.05; and pupils in grades 9-12 are weighted 1.25. For formula calculation purposes, a district's grade-weighted attendance is adjusted upwards by including in a district's students count, an adjustment for federally defined ESEA, Chapter 1 low-income pupils. This addition ranges from zero in a district with no low-income eligibles to a statutory maximum weighting of .625 per low-income pupil.

Adjustments for Special Factors: None.

Districts Off Formula: None. All 955 districts receive GSA under one of the three methods of funding.

III. TRANSPORTATION

Regular and Vocational Transportation

(Section 29-5)

Funding in 1990-91: $123 million (3.7% of total state school aid)

Description: The state provides funding for regular and vocational transportation.

Regular. The state reimburses much of the allowable costs of transporting eligible pupils to and from their home and school. Eligible pupils are those residing 1.5 miles or more from school and students who must otherwise walk through a safety hazard area as determined by local boards using guidelines established by the Illinois Department of Transportation. A school district may provide own transportation or may contract with a transportation carrier.

Vocational. The state reimburses costs to any school district providing school-day transportation to and from school and an approved vocational program that is either 1.5 miles apart or through a safety hazard area. Approved vocational programs include area vocational centers, another school's vocational program, and a community college program providing advanced training for 11th- and 12th-grade students in preparation for a trade.

State and Local Shares:

Regular. State reimbursements for the current fiscal year are paid against claims filed for costs in the prior year. The state reimbursement is the greater of: the district's equalized assessed valuation multiplied by a computational tax rate (.06 for elementary districts, .05 for high school districts, .07 for unit districts) or $16 multiplied by the number of eligible pupils transported. Other claim reductions may apply: if the claim amount is greater than 80% of the total eligible costs and the district's transportation tax rate is less than .12%, the state prorates the aid (but to no less than 80% of eligible costs). Districts are responsible for the costs not reimbursed by state aid.

Vocational. State reimbursement is 80% of the allowable costs. Districts are responsible for the costs not reimbursed by state aid.

Special Education Transportation

[Section 14-13.01(b)]

Funding in 1990-91: $102.8 million (3.1% of total state school aid)

Description: The state reimburses for the transportation of special education pupils who, determined in advance by the State Board of Education, require special transportation services in order to take advantage of special education facilities. Reimbursement may be provided for qualified transportation for special education students enrolled in both public and nonpublic schools.

State and Local Shares: The state reimburses 80% of the allowable costs. For 1990-91, the state appropriation was sufficient to reimburse approximately 97.1% of the 1989-90 special education transportation claims of districts. Districts are responsible for the costs not reimbursed by state aid.

Parental Reimbursements

(Section 29-5.2)

Funding in 1990-91: $13.4 million (less than 1% of total state school aid)

Description: Section 29-5.2 of the School Code authorizes reimbursement of transportation costs to parents/guardians of eligible students for qualified transportation costs. Eligible pupils are full-time students in grades K-12 under the age of 21 at the end of the school year who live either 1.5 miles from the school or who must otherwise walk through a safety hazard area and for whom free public transportation is not available.

State and Local Shares: Parents/guardians meeting eligibility criteria may apply for the lesser of: The cost of transportation or the average reimbursement per pupil given to public schools for regular transportation. Parents were reimbursed at a rate of $128.60 per student.

IV. CAPITAL OUTLAY AND DEBT SERVICE

No state aid is provided for capital outlay or debt service.

V. TEACHER RETIREMENT

Funding in 1990-91: $299.1 million (9% of total state school aid)

Description: The State is responsible for assuring pension benefits for retired teachers and makes annual employer contributions to each of the 2 teacher retirement systems, the School Teachers Pension and Retirement Fund of Chicago (for qualified personnel in the Chicago Public Schools) and the Teachers' Retirement System of the State of Illinois (for other-district personnel and professional employees of the State Board of Education).

VI. SPECIAL EDUCATION

Personnel Reimbursement

(Section 14-3.01)

Funding in 1990-91: $196 million (5.9% of total state school aid)

Description: School districts and special education cooperatives are reimbursed for special education personnel and for home/hospital services. Approved costs are not equalized. The following rates are approved for FY 1992

- For eligible physically handicapped children and all eligible children whose placement determined under Section 14-8.02 is in hospital or home instruction, one-half of the teacher's salary, but not more than $1,000 annually per child or $8,000 per teacher, whichever is less;

- For readers working with blind or partially sighted children, one-half their salary, but not more than $400 annually per child;

- For necessary noncertified employees working in any approved class or program, the lesser of one-half of the salary paid or $2,800 annually per employee;
- For each full-time qualified director of special education, $8,000;
- For each full-time school psychologist, $8,000;
- For each full-time qualified teacher working in an approved program for deaf or hard-of-hearing preschool children, $8,000;
- For each full-time professional working, $8,000. This is limited to speech correctionists, school social workers, school psychologist interns, school social work interns, school nurse interns, certified school nurses, special administrator interns, registered therapists, professional consultants, special education administrators or supervisors, and special education certified teachers.

State and Local Shares: Districts are reimbursed for the prior-year expenditures. The state pays 100% of the calculated aid amount. Districts are responsible for the costs not reimbursed by state aid.

Special Education Extraordinary Services
[Section 14-7.02(a)]

Funding in 1990-91: $60.8 million (1.8% of total state school aid)

Description: This program provides special education services in the least restrictive environment for children with disabilities when the cost for such specialized services is high. State reimbursement affords districts some additional financial assistance in providing for these special education and related services in the public sector.

State and Local Shares: The state reimburses districts for the actual amount of the prior-year costs of education the child, less the per capita tuition charge, less costs covered under Special Education Personnel, up to a maximum of $2,000 per child. Districts are responsible for the costs not reimbursed by state aid.

Special Education Private School Tuition
(Section 14-7.02)

Funding in 1990-91: $25.5 million (less than 1% of total state school aid)

Description: This fund is to support the education of children whose needs cannot be met by public schools. Such children may attend private or public special education facilities either in-state or out-of-state that provide the necessary services as determined by the placing district in accordance with the student's individualized education program.

State and Local Shares: The state reimburses the prior-year costs of education less the district's per capita tuition charge if the cost is under $4,500 per regular school year. Districts are responsible for the costs not reimbursed by state aid.

Special Education Orphanage Tuition
[(Section 14-13.01(b)]

Funding in 1990-91: $44.2 million (1.3% of total state school aid)

Description: These funds reimburse districts for providing special education classes for identified children with a disability in orphanages, children's homes, foster family homes, state agencies, and state residential units.

State and Local Shares: Reimbursable costs for this program are determined by the actual cost of maintaining classes with certain limitations on administrative, supervisory, and facility use costs for current year expenditures. Districts are responsible for the costs not reimbursed by state aid.

Special Education Summer School

(Section 18-4.3)

Funding in 1990-91: $3.7 million (less than 1.0% of total state school aid)

Description: The state reimburses districts for extended-year programs or services for eligible students. Eligibility is defined as follows: pupils must be enrolled for at least 60 hours per summer, pupils must be eligible pursuant to sections 14-7.02 or 14-7.02a, and there shall not be a tuition charge.

Philip J. Rock Center and School/Materials for the Visually Impaired Program

(Section 14-11.02)

Funding in 1990-91: $3 million (less than 1.0% of total state school aid)

Description: The Philip J. Rock Center and School provides full residential and educational services to 25 persons, and provides full counseling services for up to 200 deaf-blind persons throughout the state. Nearly 3,000 K-12 students receive materials through the visually impaired program.

Services to Children with Low-Incidence Disabilities

Funding in 1990-91: $1.5 million (less than 1.0% of total state school aid)

Description: This program provides partial funding to special education regional programs, joint agreements and independent school districts which serve students with low-incidence disabilities. These services include diagnostics, technical assistance, program supervision and consultation, instructional and related services, resource referral, and inservice training.

VII. COMPENSATORY EDUCATION

State Adult Education

(Sections 10-22.20)

Funding in 1990-91: $8.4 million (less than 1.0% of total state school aid)

*Description:*Participating local education agencies offer adult education programs toward an elementary equivalency, high school diploma, or equivalency certificate for eligible students are reimbursed per student-unit of instruction. Eligible adults are 16 years or older and (a) who have not completed the secondary level and are not attending school; and (b) who have completed the secondary level and who can verify a need for job skills improvement and/or employability skills. This fund includes $1.2 million in state matching funds.

Public Assistance Adult Education Program

(Section 10-22.20)

Funding in 1990-91: $10 million (less than 1.0% of total state school aid)

*Description:*This program is parallel to the state adult education program, but is reserved for students who are also on public assistance. Expenditures in this program are eligible for federal reimbursement.

Summer School-Gifted and Remedial
(Section 2-3.61)

Funding in 1990-91: $15 million (less than 1.0% of total state school aid)

Description: Funding is provided for summer school grants to districts for services to gifted or talented children or to students needing remedial education. Funding is furnished solely to reimburse for employment of certified personnel, necessary transportation, and instructional materials. Approximately three-quarters of the students are remedial; one-quarter are gifted. Children are not to be charged any fees for this program.

K-6 Reading Improvement Program

Funding in 1990-91: $41.4 million (1.2% of total state school aid)

Description: The program provides grants to school districts to help meet the district's costs of employing personnel and purchasing materials to serve at-risk or disadvantaged children with reading problems in the grades K-6. Eligibility for participation is specified by the federal Chapter 1 count.

VIII. GIFTED AND TALENTED EDUCATION

Gifted Education Reimbursement
(Article 14A of the School Code)

Funding in 1990-91: $9.9 million (less than 1.0% of total state school aid)

Description: Funds are provided under a formula or a personnel basis to reimburse districts for services and materials to assist in developing and improving educational programs for gifted and talented students. Using the formula method, districts may claim up to 5% of the number of students in average daily attendance; the personnel method earns $5,000 for each full-time professional meeting established guidelines.

IX. BILINGUAL EDUCATION
(Article 14C)

Funding in 1990-91: $48.3 million (1.5% of total state school aid)

Description: Bilingual education is provided via 2 current-funded programs: Transitional Bilingual Education (TBE) and Transitional Programs of Instruction (TPI) for children of limited-English proficiency. TBE programs are required in schools with 20 or more students with the same native language; all courses required by Illinois law must be taught in the native language if English proficiency is not high enough; TPI programs apply to schools with less than 20 students of the same language background. After receiving program approval from the State Superintendent of Education, districts are eligible for reimbursement up to an approved ceiling based on enrollment per attendance center of students with limited English proficiency. Bilingual programs are mandatory in Illinois public schools from kindergarten to 12th grade, but Pre-K bilingual programs are funded.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education
(Paragraph 697)

Funding in 1990-91: $49.3 million (1.5% of total state school aid).

Description: Vocational education provides educational program opportunities in occupational information and specific job training. Funds support vocational education's six goals: academic achievement, occupational competence, employment, educational attainment, economic competitiveness, access, and equity. Funds are reimbursed for approved vocational programs designed to equip youth and adults for employment, to improve vocational education staff development, and to provide quick-start training assistance to business and industrial firms in the state.

State Share: The state appropriated $46.48 million for regular vocation program costs incurred during FY 1990; another $1.5 million for the Vocational Instruction Practicum, and $1.3 for the High Impact Training Services Program (which has since been eliminated).

Free Lunch and Breakfast Programs
(Article 712)

Funding in 1990-91: $13.1 million (less than 1.0% of total state school aid)

Description: Illinois law mandates free lunches for needy students as defined by the National School Lunch Program. The Illinois State Free Lunch and Breakfast Programs and voluntary and are available to both public and private school systems. Participating schools are reimbursed up to 15 cents for each free lunch and each free breakfast served to an eligible student.

Truants Alternative and Optional Education Program
(Section 2-3.66 and 204-1)

Funding in 1990-91: $18 million (less than 1.0% of total state school aid)

Description: These programs (School Code Section 2-3.66) are part- or full-time options in lieu of regular school attendance designed to prevent students ages 16 to 21 from dropping out of school. Programs may be operated by regular school districts, educational service regions, or community colleges.

Textbook Loan Program

Funding in 1990-91: $12.5 million (less than 1.0% of total state school aid)

Description: The State Board of Education is required to provide a free loan of textbooks to any K-12 student enrolled in a public or nonpublic school in compliance with state attendance laws and Title VI of the Civil Rights Act of 1964. This is not a reimbursement program: parents request textbook loans from the school, which forwards requests to the state. The state agency then purchases the textbooks for use in the requesting school

Substance Abuse Prevention
(P.A. 86-822)

Funding in 1990-91: $4.6 million (less than 1.0% of total state school aid)

Description: The Board of Education awards competitive grants to districts in order to establish drug-free community and school planning and implementation strategies, and for staff development activities, software, and curriculum materials.

Staff Development and Student Assessment
(Section 2-3.59)

Funding in 1990-91: $3.1 million (less than 1.0% of total state school aid)

Description: State law requires districts to conduct staff development programs. Following program approval from the Board of Education, districts receive aid to fund programs provided through cooperatives or joint agreements with educational service centers or regional superintendents.

Scientific Literacy
(Section 2-3.94 and 2-3.95)

Funding in 1990-91: $10 million (less than 1.0% of total state school aid)

Description: The State Board of Education, pursuant to Sections 2-3.94 and 2-3.95, enters into contracts and awards grants to districts, colleges and universities, and the Mathematics and Science Academy to provide inservice/staff development for elementary and secondary teachers. The Board also provides competitive grants to districts providing pilot programs in scientific literacy.

District Consolidation
(Articles 11A and 11B)

Funding in 1990-91: $6 million (less than 1.0% of total state school aid)

Description: The merging of 2 or more existing districts to create a new district requires the following: voter signatures on a petition authorizing a maximum tax rate the new district may levy; a public hearing by a regional superintendent followed by his recommendation whether or not to approve the petition; a review by and decision from the state superintendent; a referendum approving the district by a majority of affected voters; the election of a new board of education. Twelve districts were consolidated between fiscal years 1990 and 1992.

State Share: The state authorizes 4 supplementary payments to newly consolidated districts for: any loss in general state aid resulting from the merger; the difference in teacher salaries among the merged districts; difference in deficits among the merged districts; and $4,000 for each certified district employee employed regular full-time for the first 3 years.

District Report Card/Criminal Background Investigation
(Sections 10-17a, 34-88, 10-21.9, and 34-18.5)

Funding in 1990-91: $1.2 million (less than 1.0% of total state school aid)

Description: These funds implement the Report Card and Criminal Background Investigation elements of the Education Reform Act of 1985. The law requires that by October 31 each year, each district must submit a report card for each of its schools to parents, taxpayers, the General Assembly, the Governor, the State Board of Education, and regional superintendents. Districts are reimbursed for expenses related to printing and distributing report cards and for expenses related to conducting criminal background investigations.

Pupil Tuition Claims for Orphanages
(Section 18-3)

Funding in 1990-91: $1.5 million (less than 1.0% of total state school aid)

Description: Eligible districts may file a claim for the annual tuition cost of the preceding school year for K-12 pupils from orphanages, children's homes, or state-owned housing. Districts receive no local property tax revenue on behalf of these children, and cannot claim them in average daily attendance for General State Aid purposes. Payments are based on the district's prior-year per capita tuition charge multiplied by the average daily attendance of these pupils.

Agricultural Education
(Section 2-3.80)

Funding in 1990-91: $1 million (less than 1.0% of total state school aid)

Description: These funds support district initiatives to improve and expand agricultural education programs through direct grants to local agency agricultural education programs, curriculum development activities, and inservice for instructors.

Mathematics and Science Academy
(P.A. 85-1019)

Funding in 1990-91: $1.3 million (less than 1.0% of total state school aid)

Description: The Illinois Mathematics and Science Academy is a 3-year residential institution for high-school-aged students funded by private contributions, endowments, and the state appropriation. Admission is based on an entrance exam and recommendations from teachers and guidance counselors. After fiscal 1991, the Academy was moved to under the Board of Higher Education.

Educational Service Centers
(Sections 14A-6, 2-3.43, 2-3.62)

Funding in 1990-91: $8.5 million (less than 1.0% of total state school aid)

Description: Educational Service Centers plan, implement, and evaluate three types of services: education for gifted children, computer technology education, and math-science-reading resources for teachers. Centers may also provide training, technical assistance, coordination and planning in other program areas such as career guidance, early childhood education, alcohol/drug education and prevention, family life/sex education, electronic transmission of data from districts to the state, alternative education, identification of exemplary programs and regional special education.

Objectives Assessment
(Sections 2-3.63-64 and 27-1)

Funding in 1990-91: $1.8 million (less than 1.0% of total state school aid)

Description: This program provides grants to school districts for developing appropriate testing and assessment measures to determine the degree to which students are achieving learning objectives.

School Improvement Support

Funding in 1990-91: $2.4 million (less than 1.0% of total state school aid)

Description: This program aims to provide local districts the opportunity to voluntarily pursue educational change, educational choice, and programmatic and financial technical assistance. The aim is to encourage creative ideas for improving education. Funds may be used to assist districts or groups of districts to explore and plan for initiation of educational choice initiatives which conform to State guidelines.

Illinois Goal Assessment

Funding in 1990-91: $1.4 million (less than 1.0% of total state school aid)

Description: Students in grades 3, 6, 8, and 11 take standardized IGAP tests in reading, writing, mathematics, and science assessments, the scores of which enable superintendents and principals to assess their educational progress with state and national standards.

Other Funded Programs

Funding in 1990-91: $4.7 million (less than 1.0% of total state school aid)

Description: Programs funded at less than $1 million include: tax-equivalent grants ($.45 million), Illinois governmental internships ($.13 million), math-science traineeships ($.025 million), math-science scholarships ($.008 million), K-6 arts training ($.5 million), second-language planning ($.5 million), Hispanic programs ($.372 million), Occupational Information Coordinating Committee ($.025 million), minority transition ($.1 million), lawsuit legal fees ($.29 million), teacher shortage scholarships ($.553 million), equal opportunity scholarships ($.276 million), consumer education ($.15 million), Administrators' Academy ($.832 million), instructors' basic skills testing ($.15 million), evaluations ($.15 million).

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Private school students are included in the Textbook Loan Program, Special Education Transportation Program, Parental Reimbursement for Transportation Program, and the Free Lunch and Breakfast Programs.

XII. PREKINDERGARTEN EDUCATION

Prekindergarten Program for Children at Risk of Academic Failure

(Section 2-3.71)

Funding in 1990-91: $63 million (1.9% of total state school aid)

Description: These funds provide grants to public school districts to conduct screening programs to identify pre-kindergarten children at risk of academic failure and to provide appropriate educational programs for those children to increase their likelihood of school success. Children to be served are those who, because of their home and community environment, are subject to such language, cultural, economic, and similar disadvantages that they have been determined to be at risk of academic failure. Program components include evaluation and parent involvement, emphasizing linkage with other agencies and organizations in the community which serve the same population. Projects are selected based upon new and continuing proposals submitted annually.

Model Early Childhood Parental Training Program

(Section 2-3.71a)

Funding in 1990-91: $1 million (less than 1.0% of total state school aid)

Description: The state provides funds for the administration and implementation of grants to public school districts to conduct model pilot early childhood parental training programs for the parents of pre-kindergarten children. The programs offer classes and support groups to teach parents how to develop skills and confidence to foster their children's healthy development.

Prevention Initiative Program for At-Risk Infants and Their Families

(P.A. 85-1046)

Funding in 1990-91: $2 million (less than 1.0% of total state school aid)

Description: The goal of this program is to reduce school failure by coordinating and expanding services to all children under three years old who live in one of the 27 areas designated as "Families with a Future" (Infant Mortality Reduction Initiative). The funds support competitive grant programs for the development of programs to this end.

XIII. LOCAL SCHOOL REVENUE

Section 17-1 of the School Code requires districts to adopt, before or during the first quarter of each fiscal year, an annual budget which specifies the objects and purposes of expenditures and the revenues necessary to meet the anticipated expenses and liabilities of the district. The Illinois Truth in Taxation Act affects all units of government authorized to levy taxes, including school districts.

XIV. TAX AND SPENDING LIMITS

Tax rates for school districts are related to specific funds. School districts are subject to various limitations in property tax rates for each fund. State law limits tax rates in most major funds to both a permissive level and a maximum level. The permissive level is the rate allowed without referendum approval of the voters of a district. The maximum is the limit allowed with referendum approval.

Limitations on school district bonded indebtedness are determined in relationship to a district's equalized assessed valuation (EAV) of real property. For elementary and high school districts the limit is 6.9% of EAV and for unit districts 13.8% of EAV. A maximum of 15% of EAV may be incurred by certain growth districts when the regional superintendent concurs with the school board's enrollment projections and two-thirds of the electors approve the bond issue.

XV. EARMARKED STATE REVENUE

All of the lottery proceeds, 7% of net tax collections, and a small percent of state sales tax are earmarked for education.

INDIANA

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I. GENERAL BACKGROUND

State

- The state share of all public school General Fund revenues in 1990-91 was 58.5%, about the same as in the previous year. The state percentage was actually higher and the local percentage lower if adjustments are made to reflect (a) the state's contributions to Social Security and (b) state property tax replacement credits to local property taxpayers. These formula adjustments adjust the state's overall share to 71% of total General Fund revenue and direct payments on behalf of schools.

- Indiana's financial support of schools throughout the 1980s has averaged between 80% and 85% of the national average; thus, Indiana spends less on average per-pupil than most states. As in most states, Indiana is faced with the need to expand or at least maintain education funding at a time that general revenues are static or declining.

- The principal sources of revenue for public education are state and local taxes. State sources are its general revenues and a Property Tax Replacement Fund (PTRF). State revenue for Indiana public schools comes from several tax sources, and is appropriated from the state's General Fund on a biennial basis.

- Each year since 1973 the Indiana General Assembly has specified maximum General Fund property tax levies for each school corporation. Although there are some provisions for local referenda to raise additional revenues and modify local tax levies, only a small number of districts have used these procedures and among those, fewer than half have been successful in raising additional revenues not otherwise specified by the General Assembly.

- There is an increasing and substantial concern over both adequacy and equity issues. The legislature has attempted to narrow the total range of expenditures, and has been successful in increasing expenditures in the low spending districts. However, almost 50 school corporations are plaintiffs in a currently pending lawsuit in the state courts seeking to have the state's school distribution formula declared unconstitutional, indicating some degree of continuing dissatisfaction with its fairness. The suit was temporarily suspended in August, 1992, pending the outcome of the parties' efforts to effect a satisfactory change in the school finance distribution formula in the 1993 session of the Indiana General Assembly.

Local

- In 1991, Indiana had 296 public school corporations (districts) enrolling 953,228 students. School districts in Indiana are managed by a superintendent and a school board and vary in size from 226 to 48,140 students. Most school boards are elected, but 30 districts select boards by other means. The number of districts has declined from the 1970s, when over 300 school corporations were in operation. There is also one university laboratory school that functions similarly but has no taxing authority, and 9 regional service centers. These do not receive formula support but do depend on subsidies from local participatory schools and on categorical distributions from the state's education budget.

- Since 1973, Indiana school corporations have had 4 separate funds for financing their activities. These funds are the General Fund, the Transportation Fund, the Debt Service Fund, and the Cumulative Building Fund or the Capital Projects Fund. The General Fund is the largest of these funds.

- The property tax, collected by separate rates established for each of the 4 funds, is the largest source of local revenues. When the Indiana General Assembly changed the property tax system in 1973, the ratio of state to local funding was approximately 1 to 2; in 1991 the ratio of state to local funding was more than 2 to 1. Additional sources of local revenue are: a Motor Vehicle Excise Tax, a Financial Institutions Tax (FIT), and a County Adjusted Gross Income Tax (CAGIT).

Funding Summary, 1990-91

Total State School Aid (All Programs)		$2,398 million
Grants in Aid	2,043 million	
Teacher Retirement Contributions	198 million	
FICA	157 million	
Total Local School Tax Revenue		1,955 million
Total Combined State and Local School Revenue		4,353 million
State Financed Property Tax Credits Attributable to School Taxes	280 million	

II. THE BASIC SUPPORT PROGRAM

The Basic Grant

Funding in 1990-91: $1,640 million (66% of total state school aid)

Nature of Program: A tuition support program described in I.C. 21-3-1.7 and 1.8. The local share is originally based on a foundation-level program in effect prior to the 1972-73 school year.

Units: Pupils. Enrollment. A Day's Membership (ADM) for some facets of the formula; previous year's revenue in dollars for others. A Day's Membership is enrollment data for a day in September set by the Indiana Department of Education. ADM, which is intended to reflect stabilized enrollments, is usually the 4th Friday following Labor Day. September 1991 ADM was 922,538.

Local Fiscal Capacity: Assessed property valuation and auto excise and financial institutions tax distributions.

How Formula Operates: Indiana uses a calendar year formula which attempts to achieve several goals: (1) to guarantee minimum General Fund revenues of $2,825 per-pupil in CY 1991 ($2,650 in CY 1990) and (2) to guarantee a minimum increase of 5% over the school corporation's previous year's revenue. Approximately 30% of the corporations, are below $2,825 per-pupil and therefore qualify for this minimum guarantee. The increase may be greater than 5%, depending on the growth in the number of pupils, and increase in assessed valuation. The objectives of these provisions are to limit and reduce disparities in per-pupil expenditures across the total range of districts and to limit the increase in property tax levies. There are no qualifying tax rates which yield or guarantee minimum levels of revenue. In sum, the legislative intent of the formula is to:

1) guarantee $2,825 per ADM as minimum state/local revenue;
2) add another $28 per ADM as a flat grant;
3) "grandfather" the districts so that none receives fewer state dollars than were received in the prior year;
4) guarantee all districts a 5% minimum increase over previous year General Fund revenue; and
5) allow local General Fund tax levies to increase by the average of two years growth in assessed value plus 4.4%.

The Formula:

1. The formula for 1990 and 1991 operates incrementally from the previous year's computation of revenue determined by the state formula and local property tax levy. The previous year's tuition (basic) state support less special education and vocational categorical grants plus the previous year's property tax levy is multiplied by an inflation adjustment of 1.05.

2. School corporations experiencing growth in pupils (ADM) receive additional dollars per additional ADM ($2,200 in 1990), providing growth has occurred in the 2 previous years. The $2,200 per additional ADM applies only to the second (present) year's growth. This calculation is added to the new adjusted revenue base.

3. The resulting adjusted revenue base per ADM plus the per-pupil auto excise tax and financial institutions tax from 1989 is compared to $2,825 per ADM (the 1990-91 minimum) and adjusted to the greater of the two. Approximately 90 of 296 school corporations qualify for this so-called "bottom up" equalization provision. The other 206 districts are all above the equalization "floor."

4. There are further adjustment provisions for "new facility" operations levies and referendum levies, but we omit these as minor technical provisions in understanding the formula. They may, however, be extremely important to the individual school corporations utilizing them. Approximately $26 million of the $1.25 billion in local levies reported here is attributable to these provisions.

5. The adjusted revenue base from (3) above is further adjusted as follows:

   a. The 1991 (new) base tax levy (see section XIII) is subtracted from the adjusted revenue base and the result compared to 1990 tuition support. The greater of the two is the 1991 tuition support, the Basic Grant. This provision, known as the "grandfather" clause, ensures that no school corporation will receive less state money in 1991 than was received in 1990.

   b. A flat grant of $28 per ADM is added to the 1991 tuition support.

6. 5% Guarantee: Another guarantee is that each corporation receive at least a 5% increase in total revenue (tuition support and local levy); the state adds to the revenue base the dollars necessary to achieve the guarantee.

7. Under current legislation the base levy may be increased by appealing to the School Property Tax Control Board which may recommend to the State Board of Tax Commissioners an increase be granted due to the opening and operation of a new building, or it may recommend that the corporation be allowed to conduct a referendum to establish a new base levy at a certain dollar amount. It may also be adjusted, on a yearly basis, if the corporation has had a loss in federal aid to impacted areas. The formula is designed to affect all districts, depending on their wealth and ADM characteristics. Some districts are grandfathered, some receive a minimum guarantee, some a 5% guarantee, some are growth factored and some a combination of these approaches.

State Share: See (5) and (6) above.

Local Share: The local share is equal to the state required base tax levy.

Weighting by Grade Level: For ADM purposes, Kindergarten is weighted at 0.5.

Adjustments for Special Factors: See above.

Districts Off Formula: None. All districts receive aid.

III. TRANSPORTATION

Funding in 1990-91: $41.1 million (1.7% of total state school aid)

Regular Transportation Support	$33.5 million
Special & Vocational Transportation	$7.6 million

Description: School corporations are reimbursed for approved costs of transporting public school pupils over 1.0 mile. Regular school transportation reimbursement is computed on the basis of factors in existence in each school corporation for the school year ending in the preceding calendar year.

The adjusted per-pupil amount is equal to $280 minus an amount determined by multiplying $20 by the linear density of the corporation. Linear density is determined by dividing the total number of eligible pupils by the total round trip mileage. The adjusted per-pupil amount is then multiplied by the number of eligible pupils to yield the total transportation allowance. A levy raised by a tax rate of $0.55 per $100 on the previous year's assessed valuation is subtracted from the total transportation allowance. The result is the corporation's transportation entitlement from the state. The property tax rate for transportation is unlimited. School districts are free to impose whatever additional property taxes needed to cover transportation costs.

Special education and vocational education transportation reimbursement is computed on an incurred cost basis. For both special and vocational education, the entitlement is 80% of the eligible cost of transporting those students to their respective programs.

State and Local Shares: The state share equals the allowable transportation entitlement adjusted to bring the total amount distributed within the amount appropriated by the General Assembly. In 1991, the reimbursement for regular transportation was 97% of the entitlement; however, this support is only 18% of regular transportation costs. The state reimbursement for special and vocational education is 20% of the entitlement.

The local share equals the levy yield from a $0.55 per $100 tax rate applied to the prior year assessed valuation (excluding the year of reassessment). This high local yield explains the reason for the low level of state support.

Extent of Participation: 295 school corporations (99.6%)

IV. CAPITAL OUTLAY AND DEBT SERVICE

School corporations also may levy property taxes for the Debt Service and Capital Projects or Cumulative Building Funds. A corporation is authorized to have a Debt Service Fund levy to meet annual debt service obligations, including lease rental agreements, bond retirement, civil bond obligations and other indebtedness.

The Capital Projects Fund (CPF) was established by the 1987 General Assembly. The CPF may be used for the following: construction, repair, replacement, or remodeling; site acquisition and development; purchase, lease, and repair of equipment other than vehicles and equipment used primarily for interscholastic or extracurricular activities; and purchase, lease, upgrading, maintenance, or repair of computer hardware and software. The CPF, successor to the Cumulative Building Fund, may be used in place of the Cumulative Building Fund. As Cumulative Building Funds expire in school corporations by 1991, a CPF may be established as a replacement. A plan must be formulated for the ensuing year and is a part of the annual budget. There is a $1.25 maximum per $100 of assessed valuation in the CPF.

There is a state constitutional general obligation debt limitation in each school corporation equal to 2% of its current assessed valuation. Further debt can be incurred through lease rental agreements with private or public holding corporations. The state's only contribution to the Capital Projects Fund or the Debt Service Fund is (1) through property tax replacement credits on debt incurred prior to 1984, and (2) by a $40 per ADA flat grant.

V. TEACHER RETIREMENT

Funding in 1990-91:	Retirement $197.5 million (8.6% of total state school aid).
	FICA $157.0 million (6.8% of total state school aid)

Description: Teacher retirement payments for certified employees are made to the Indiana Teacher's Retirement Fund, a defined pension benefit system. The state acts as employer for these benefits. State appropriations are paid directly to the teacher retirement fund in lieu of being incorporated into state aid payments to local school districts. There is an unfunded liability in the Teacher Retirement Fund of over $3 billion. Historically, an employee share of 3% has been a contributory component of the fund. Some local school districts elect to pay the total employee share of 3% as a negotiated benefit.

Non-certificated employees are covered by PERF (Public Employees Retirement Fund) and FICA. The employer share for PERF varies by school district, based on current pension obligations and projected liabilities of the district. The employer share is 7% on the average with a 3% employee contribution.

State and Local Shares: The state contribution is 7.4% of the salary received by the member. Local districts contributed $36 million for PERF for non-certificated employees; $40 million for FICA for non-certificated employees.

Extent of Participation: 296 school corporations

VI. SPECIAL EDUCATION

Funding in 1990-91: $147.0 million (5.9% of total state school aid)

Description: State aid for the handicapped is actually a categorical program, but it was added into the General Fund mix and used in certain overall revenue guarantees. Disabled and handicapped students are classified on December 1 (the federal count date) into various exceptionality areas, on an excess cost basis, (weighted pupil count or additional pupil count (APC)).

State and Local Shares: The state share is equal to the product of the APC multiplied by $1,438. The local district is expected to generate all needed additional dollars for special education from their General Fund revenues. This can be assumed to be at least $2,825 per-pupil, the minimum guarantee.

Extent of Participation: 296 school corporations.

VII. COMPENSATORY EDUCATION

K-12 At-Risk

(I.C. 20-10.1-18)

Funding in 1990-91: $20 million (less than 1.0% of total state school aid)

Description: Funding is provided to districts which apply for grants, and distribution is based on an At-Risk Index factor. The Educational Opportunity Program for At-Risk Students was established to provide funds to assist public school corporations in implementing new programs or for expanding existing programs that will benefit at-risk students.

State and Local Shares: The state share is 100% of the approved amount not to exceed the actual expenditure and not to exceed the appropriation available.

The allocation formula weights the following 3 factors, as determined by the most recent decennial census:

1. the percentage of families in the school corporation with children under 18 years of age that have a family incomes below the poverty level;

2. the percentage of non-institutionalized children in the school corporation whose parents do not live together within the household; and

3. the percentage of the population in the school corporation that is at least 19 years of age and has not graduated from high school.

Local districts are responsible for any cost of the program over the amount received by the state.

Extent of Participation: 296 school corporations

Early Childhood Compensatory Education

Funding in 1990-91: $3.0 million (less than 1.0% of total state school aid)

Description: Competitive grants are solicited and 18 districts awarded grants ranging from $12,732 to $183,975 for innovative early childhood programs, emphasizing latch-key, at-risk, and early childhood parental components.

State and Local Shares: The districts use local funds in conjunction with whatever federal and state funds are available.

Extent of Participation: 18 school corporations

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $5.9 million (less than 1.0% of total state school aid)

Description: The purpose of this program is to encourage school corporations to develop and implement gifted/talented education programs. (IC 20-10.1-7-4.5)

State and Local Shares: Local districts are responsible for any cost of the program not met by the amount of the grant.

Extent of Participation: Grants were awarded to 250 school corporations.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $34.6 million (less than 1.0% of total state school aid)

Description: An additional pupil count (APC) is provided for students participating in vocational programs. This excess cost index ranges from 0.09 to 0.48, dependent upon the vocational program.

State and Local Shares: The sum of the APCs is multiplied by $1,296 to arrive at the state share for each district. The local share of vocational education programs is equal to the costs not covered by the state share.

Extent of Participation: 296 school corporations.

Prime Time Program

Funding in 1990-91: $78.8 million (3.4% of total state school aid)

Description: The PRIME TIME program and fund was established to provide money to encourage school corporations to lower, on a corporation average, the pupil/teacher ratio in grades K-3, while at least maintaining the existing pupil/teacher ratio in grades 4-6. Under certain circumstances, classroom instructional aides may be counted as teachers.

State and Local Shares: For each full-time teacher equivalent (FTE) added a corporation receives $24,500. For kindergarten and Grade 1, the necessary FTE is determined by dividing the current student count (ADM) by 18 and then subtracting from that quotient the FTE employed in the base year. The base year is the year before the year in which the corporation began participation in the Prime Time program. For Grades 2 and 3, the ADM is divided by 20, and the same computation is made.

The local share is the difference between the state distribution and the amount necessary to provide the program. On the state average, the local share is 30% of the total cost of Prime Time.

Extent of Participation: 295 school corporations

Indiana Statewide Testing for Educational Progress (ISTEP)

Funding in 1990-91: $20.0 million (less than 1.0% of total state school aid)

Description: Enacted by the 1987 legislature (I.C. 20-10.1-16), the Indiana Statewide Testing for Educational Program (ISTEP) is a broad-based achievement testing plan to provide school corporations a means of assessing their overall educational programs. Students in Grades 1, 2, 3, 6, 8, 9, and 11 who are eligible for classroom instruction in English/language arts and mathematics are required to take the ISTEP administered each spring.

Extended Learning Program. As required by statute, students in Grades 1, 2, 3, 6, and 8 who fall below the state achievement standard prescribed by the State Board of Education are eligible for ISTEP remedial programs and are required to attend, unless granted a waiver by local administrators and teachers. Additionally, students who score above the state achievement standard but below locally established standards, may also be required by local administrators and teachers to attend remedial programs.

State and Local Shares: The state share is equal to the number of students enrolled for remediation multiplied by $425. No local share required. However, corporations must employ a sufficient number of teachers so that no class is larger than 10. Students in Grades, 1,2, 3, 6, and 8 are eligible for remediation funding.

Extent of Participation: In the summer of 1991, more than 22,000 students in 295 corporations participated.

Summer School

Funding in 1990-91: $15.5 million (less than 1.0% of total state aid)

Description: Summer educational programs approved by the State Board of Education are reimbursed at a rate of 105% of instructional costs. Instructional costs are teacher and teacher aide salaries. Reimbursement is based on the requirement that there will be an initial enrollment of 15 students per class. In the event the total reimbursement exceeds the appropriation available, all claims are reduced proportionately (IAC 1-4-2).

State and Local Shares: The state share is 82% of the eligible costs. The local share is all summer school costs not covered by state reimbursement. The reimbursable curricula for summer school includes all courses listed in 511 IAC 6-2-2 through 6-2-5 except driver education and motorcycle safety education.

Extent of Participation: 296 school corporations.

School Textbook Reimbursement Contingency Fund

Funding in 1990-91: $7.5 million (less than 1.0% of total state school aid)

Description: Parents are expected to pay textbook and related school fees. The School Textbook Reimbursement Contingency Fund was established to enable school corporations and accredited nonpublic schools to receive a reimbursement for textbook and related school fees for children who meet federal free lunch standards (IC 20-8.1-9).

State and Local Shares: School corporations and accredited nonpublic schools receive 20% of the cost of textbooks as listed on the adoption list, and 100% of the cost of workbooks that accompany adopted textbooks. Reimbursement is also made at 100% of consumable textbooks that are state adopted. The cost of textbooks used in gifted and talented education and in special education is reimbursed based on amortization of the book over the years it is to be used. The local school corporation pays the balance after state reimbursement.

Extent of Participation: All school corporations participate; 112 accredited nonpublic schools also participated.

Performance-Based Awards

Funding in 1990-91: $10.0 million (less than 1.0% of total state school aid)

Description: The Indiana School Improvement Award Program rewards individual schools for demonstrating growth in student performance areas and encourages continued improvement. IC 20-1-1.3 states that the money may be expended for any educational purpose for the school that earned the award. It further states that the money cannot be spent for athletics, salaries for school personnel, or salary bonuses for school personnel.

State and Local Shares: The state distributes the appropriation based on a calculation including improvements in attendance, graduation rates, and ISTEP scores. Individual schools must demonstrate growth in 4 student performance areas in order to receive the award money.

Extent of Participation: 1056 schools out of 1760 total received cash awards.

Beginning Teacher Internship

Funding in 1990-91: $1.4 million (less than 1.0% of total state school aid)

Description: This beginning teachers' mentor program provides for experienced teachers to serve as mentors for beginning teachers. Stipends of $600 are paid to mentor teachers.

Extent of Participation: 290 school corporations, and 1,682 mentor teachers in public and nonpublic schools participated.

Court Ordered Desegregation

Funding in 1990-91: $15.4 million (less than 1.0% of total state school aid)

Description: This allocation, for the Indianapolis Public School (IPS) federal court desegregation order, is part of an overall distribution to 6 adjoining districts in Marion County (Indianapolis). IPS also pays considerable transfer tuition for the 5,885 pupils in 1990-91 transported to these suburban districts. Costs can include transfer tuition, other desegregation costs, bus amortization, and transportation expenses.

State and Local Shares: There is no required local share for the receiving districts. The IPS share of transfer tuition is $25.3 million.

Extent of Participation: Six Marion County (Indianapolis) school districts receive transfer tuition payments from IPS.

Regional Service Centers

Funding in 1990-91: $2.0 million (less than 1.0% of total state school aid)

Description: Nine education service centers allow 241 school corporations with over 545,000 students to cooperatively buy media and purchase professional development and technology services. The allocation is based upon a core services formula based on ADM, geographic territory, and the number of corporations served.

Extent of Participation: 241 school corporations.

Innovative School Pilot Programs
21st Century Restructuring Pilots

Funding in 1990-91: $ .85 million (less than 1.0% of total state school aid)

Description: The 1990 legislature designated this amount to be distributed for innovative school restructuring pilot programs. Competitive grants ranged from $90,000 to $120,000.

Extent of Participation: 6 school corporations.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

See Textbook Assistance Section and Beginning Teacher Internship in Section X.

XII. PREKINDERGARTEN EDUCATION

See Early Childhood Compensatory Education in Section X.

XIII. LOCAL SCHOOL REVENUE

The property tax is the principal local revenue for public schools. In 1990-91 it generated $1.1 billion for the General Fund, $212 million for the Debt Service fund, $215 million for Capital Funds, $164.8 million for the Transportation Fund, and $3.2 million for Racial Balance and Art Institute Funds. The County Adjusted Gross Income Tax and the Local Property Tax Replacement Credit replaces $26.6 million of these funds. The overall taxable assessed valuation on real property (land and improvements) and personal property in 1991 was $38.35 billion. The average General Fund tax rate was $2.87 per $100 assessed valuation. By statute, the assessment ratios on all taxable property should be uniform throughout the state and equal to one-third of the true cash value. Assessments are performed by local township assessor's offices utilizing appraisal guides prescribed the State Board of Tax Commissioners. Auto excise and financial institutions taxes, discussed earlier, also produce additional local revenue. These sources generated $260 million in overall local revenue for four funds.

An additional local revenue source is the Motor Vehicle Excise Tax which is paid on automobiles, light trucks, and airplanes registered in each of Indiana's 92 counties. The amount of this tax varies from $12 to $1,200 depending on the age and original value of the vehicle. Revenues from this tax are distributed proportionally to each fund in each taxing unit in the county where the vehicle is located. The school General Fund auto excise revenue is approximately 13% of the General Fund levy statewide ($150 million in FY 1991), but this proportion varies significantly among school corporations. There is also a Financial Institutions Tax (FIT) which totaled $17 million. All school tax funds receive a prorata share of this revenue. An additional local tax, the County Adjusted Gross Income Tax (CAGIT) was used in some counties to replace approximately $19 million of General Fund levies.

Property Tax Replacement Credits

In 1974 Indiana began to replace a portion of the local property tax levy with a PTRC (property tax replacement credit). The credit, which is maintained at approximately 20%, was $280 million for all school levies in 1990-91.

The PTRC for schools is applied to the General Fund and Transportation Fund levies, and the Debt Service levy portion used to retire debt incurred prior to December 31, 1983. This requirement results in extensive record keeping on two types of debt. The source of revenue is the state's General Fund and the Property Tax Replacement Fund.

A Property Tax Replacement Fund (PTRF) is used to reduce property taxes paid by individuals. It appears on an individual's tax statement as a credit, which reduces the total amount billed to the taxpayer. The PTRF credit is not an additional source of local school revenue. It simply replaces a portion, approximately 20%, of the local property tax. If the PTRF funds are added to the state share and subtracted from the local share, the state's portion increases to 71%.

XIV. TAX AND SPENDING LIMITS

There are 4 separate school property tax funds in Indiana: General Fund, Transportation, Debt Service and either a Capital Projects or Cumulative Building Fund.

Increases in school districts' General Fund property tax levies are controlled by the state. In 1973, the Indiana General Assembly enacted legislation which froze all school General Fund tax levies. Since that time, the base levy has been adjusted to reflect annual changes permitted by law. Once these adjustments have been made, the new levy becomes the General Fund tax ceiling for a given school corporation. This tax ceiling is referred to as the Maximum Normal Tax Levy. This amount becomes part of the school corporation's tax levy for the current and subsequent years.

Indiana sets annual limits on its General Fund school levies through the mechanisms described in I.C. 6-1.1-19-1.5. General fund levies may increase by the average increase in assessed valuation in the two prior years, excluding the CY 1990 re-assessment year, plus 4.4%. The legislative intent was to yield an average increase of 7%, but in fact, increases ranged from 5% to 19%. Property taxes within this levy format are imposed with local school board approval only and concurrence or modification by the State Board of Tax Commissioners.

The Cumulative Building Fund and Capital Projects Fund tax rates are limited to $1.25 per $100 of assessed valuation. The Debt Service levies and rates are not limited but must provide enough revenue to meet the annual debt payments of a school corporation. There are no limits on either the rate or levy for the Transportation Fund.

With permission of the State Board of Tax Commissioners, a school district, upon declaring that it cannot carry out its educational responsibilities with available funds and by advertising a levy in excess of the maximum, may be allowed to:

1. conduct a referendum to collect an additional local levy; or
2. advertise and collect an excessive levy not more than once in 4 years (a non-cumulative levy).

Certain conditions must be met, and approved by the State Board of Tax Commissioners.

Bond Issues

A school board, following proper statutory procedures and without a vote of the electorate may issue bonds, which combined with outstanding bonded debt, do not exceed 2.0% of the district's assessed valuation. Remonstrance procedures are provided which may prevent or delay bond issues. Further debt capacity over the 2.0% is described earlier in this chapter.

XV. EARMARKED STATE REVENUE

None.

IOWA

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I. GENERAL BACKGROUND

State

- Iowa's method for financing public elementary and secondary education in the 1990-91 school year, dates back to the mid-1960s. Between 1970 and 1972 the Iowa General Assembly modified the 1967 law to achieve the present type of foundation plan. The basic features include a uniform levy requirement, establishing a state foundation base, establishing a maximum on each budget, providing for leveling up of low spending districts, providing for minimum state aid to each district and budgeting on the number of students enrolled.

- In 1989, the finance plan was substantially modified with the enactment of a new finance chapter in the code of Iowa, and repealing the existing statute. The new finance plan was to be implemented in the 1991-92 school year. The new formula was designed to equalize spending per pupil, provide an enrollment decline cushion, provide advance funding for increasing enrollment districts, provide increased property tax relief, provide for increased local discretion, equalize access to discretionary local revenues, expand the use of selected local levies, and provide for increased use of income taxes as a source of revenue.

- The 1991-92 school year was the first year of a 3-year phase in of the new finance formula, however the momentum of finance reform was such that the formula was changed for both the 1991-92 and 1992-93 school years. The amount of state aid schools were expecting to receive was reduced by executive order of the Governor and by legislative action for 1991-92 and 1992-93. The Governor reduced all state funding, including schools, by 3.25% or $37.5 million during 1991-92 plus additional legislative enacted reductions were made to reduce the 1991-92 state funding. The legislative action resulted in an approximate reduction in 1991-92 of $6 million to districts with increasing enrollment.

- The finance plan which will be implemented in 1992-93 is a substantial revision from the plan passed in 1989. The enrollment decline cushion has been eliminated and state aid advances for increasing enrollments are no longer available. Future growth in state aid and budgets will be determined on an annual basis through the political process.

- School funding changes as a result of 1991-92 funding limitations and general finance reforms of the 1992 legislative session will result in school districts receiving approximately $50 million less in state aid in 1992-93 than would have occurred if the current finance plan had not been altered.

- State aid to public schools has increased every year since the foundation plan was implemented in 1972-73. The increases represent real budget growth as well as increases in property tax relief. In 1990-91, state aid to schools was 58.8% of the total funding supported through the foundation plan. When the school aid portion of property tax credits is included the percentage is 63.8%. The total state foundation aid was $1,055.7 million in 1990-91, plus $89.9 million in property tax credits. In addition to the foundation support of the school aid formula, the state provided $92 million direct support for the establishment of a minimum salary of $18,000 for teachers, general support for teacher salaries, and support for performance based pay and/or supplemental pay.

- All state aid for schools is appropriated from the general fund of the state. The primary sources of revenue are derived from a sales tax and personal and corporate income taxes. The foundation aid formula has received approximately 34% of all general fund revenues since 1972-73. With the addition of the direct aid to support teacher salaries, the total state aid has grown to 37% of state revenues. The foundation level has increased from 70% in 1972-73 to 83% in 1990-91. When the increased property tax relief is subtracted, the percent of the state's total general fund revenues going to support the foundation plan has decreased to 30%. If the educational excellence program funding is subtracted, the percent of total state revenues going to support K-12 education is 27% in 1990-91.

Local

- Iowa had 425 school districts in 1990-91. In 1990-91, 104 districts were sharing entire grades and programs such that only 379 districts had high school programs. All 425 school districts are supported by 15 intermediate service units, called area education agencies (AEA). The 15 AEAs are fiscally dependent upon the school districts they serve. The funding "flows through" the local district to the agencies. The funding provides for special education support, media services, and education services. Funds to support the area education agencies are generated as a part of each local school district's budget. The generated amounts are calculated on a per-pupil bases by each district to support special education support services, media services, and education services.
- Maximum spending authority is controlled in each district through the foundation plan, plus unspent balances from the prior year, plus actual miscellaneous income. If authorized state aid or property taxes revenues are not actually received, a district may levy for cash reserve to replace the revenues not received.
- The primary local revenue source for school districts is property taxes. In recent years, however, use of and access to income surtaxes to support special levies and programs has increased. The maximum surtax rate is set at 20%.
- There is growing pressure at the local, legislative, and executive branch levels to control property tax increases, especially with respect to cities and counties. Expanding budgets using locally derived sources of revenues is becoming more difficult and will continue to be a topic of future legislative action. School district funding has been viewed as being on automatic pilot in past years. Changes made this past year will make education funding an annual political discussion. Annual appropriations will be debated by the Governor and legislature.

Funding Summary, 1990-91

Total State Aid (All Programs)		$1,163 million
Grants in Aid	1,163 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue		869 million
Total Combined State and Local School Revenue		2,032 million
State Financed Property Tax Credits		
Attributable to School Taxes	90 million	

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $1,050.2 million (90.3% of total state school aid)

Nature of Program: Foundation plan, defined in statute as the School Foundation Program under Chapter 442, Code of Iowa, 1990. Chapter 442 was repealed effective June 30 1991.

Units: Actual pupils in the year prior.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: A district's controlled budget is calculated by multiplying a district cost per-pupil amount times the weighted enrollment.

The district cost per-pupil amount is based upon the historical spending in that district, plus a provision to increase low spending districts to the state "average", plus a per pupil growth amount each year. A state cost amount per pupil is used to calculate the annual allowable growth amount, as well as provide the floor amount per pupil for each district. In 1990-91 the state regular program cost per pupil was $2,978.

The state cost per pupil, which is the basis for determining the foundation level and state aid, is increased each year by an allowable growth amount. The allowable growth amount is determined by multiplying an allowable growth rate by the state cost per pupil. The allowable growth amount is added to each district's cost per pupil. The allowable growth rate is calculated by averaging the rate of change in general fund state revenues over a 2 year time period and by averaging the rate of change in the gross national product implicit price deflator. If revenue rate changes are below the deflator rate changes then the revenue change rates are used, otherwise the average of the 2 averages are used. Allowable growth amounts and enrollment changes are the 2 key factors in budget growth.

State Share: A uniform property tax levy of $5.40 per $1,000 assessed valuation is required of all districts. The amount raised from the uniform levy is subtracted from the foundation level. The difference is the amount of state aid a district will receive. Each district is guaranteed $200 per pupil state aid. The foundation level is based upon 83% of the state cost per pupil. In 1990-91, the foundation level for regular program cost was $2,472 per pupil. The AEA special education support cost was $133 per-pupil and the foundation level was $111 .

Local Share: The local share of the general foundation plan is from the property taxes raised from the uniform levy and the property taxes required for the amount of difference between the total district cost and the foundation level. The uniform levy raised $385.6 million and the additional levy raised $355.5 million in 1990-91.

Weighting by Grade Level: A district's weighted enrollment is based upon the number of pupils in the district 1 year prior to the budget plus (1) an adjustment for enrollment decline, (2) an enrollment adjustment to guarantee a 1% growth in the district's budget, (3) a weighting for special education, and (4) a supplemental weighting for sharing teachers, pupils, or administrators. The total enrollment used is referred to as the total weighted enrollment which is multiplied times the district cost per pupil. The September 1989 enrollment is the basic enrollment used for 1990-91 and is the enrollment to which adjustments are made. Total weighted enrollment for the 1990-91 year was 549,163, compared to an actual enrollment of 478,816 in September 1989.

The budget enrollment, adjusted for enrollment decline, is the sum of 20% of the September 1978 enrollment plus 80% of the year prior to the budget (September 1989) or the second preceding year prior to the budget (September 1988), which ever is greater. However, if the September 1989 enrollment is greater than the 80/20 sum then the September 1989 enrollment is the budget enrollment to be used. The special education weightings are based upon the excess cost for special education. A pupil receiving special education programming is weighted 1.7, 2.6, or 3.6. Supplementary weighting is provided for districts involved in sharing administrators, teachers, or pupils.

Adjustments for Special Factors: Special Provisions: The basic budgets were guaranteed to grow at least 1% between 1989-90 to 1990-91. The guarantee was built into the budget enrollment, which in turn resulted in the guarantee being part of the foundation amount. Districts which experienced an increase in their actual enrollment in September of 1990 above their previously calculated budget enrollment were given additional state aid equal to the district cost per-pupil times the increased enrollment. This advance is adjusted the following year to achieve the same mix of state aid and property taxes as if the students had been counted when the budget was built.

Special incentives are provided to districts which reorganize. The foundation level is reduced to $4.40 per $1000 assessed valuation the first year of the reorganization and increased 20 cents per year for 5 years. Districts which reorganize also are allowed to maintain, for 5 years, the supplemental weights which they had for sharing in the year prior to reorganization.

A special provision of Iowa's school aid and school budgeting is a state-level school budget review committee. The committee provides relief for unique and unusual situations not covered under the basic foundation plan. The 5-member committee annually reviews the special education weighting plan and adjusts the weights as the committee deems necessary. If the special education expenditures exceeded revenues, as has been the case in recent years, additional allowable growth may be granted. This additional growth requires an increase in property taxes or use of cash balances. The committee has the authority to grant districts increases in spending authority and increases in property taxes.

Districts Off Formula: None

III. TRANSPORTATION

Description: Transportation is not funded separately for public school districts. When the current finance plan was first enacted the total general fund expenditures of districts were included in calculating each district's cost per pupil and the state cost per pupil. This included transportation expenditures. Public school districts provide, contract for, or reimburse parents for the cost of providing transportation for non-public students. In 1990-91, $6.3 million was available to pay public schools providing or contracting for transportation to non-public students. Parents who provide their own transportation for children attending a non-public school submit their claims to the public school district. The public school district submits its claim to the state.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

State aid is not provided for either capital outlay or debt service under the schoolhouse fund. In 1990-91, the source of revenues for either debt retirement or for permissible activities under the schoolhouse fund group was property taxes.

Bonds/Debt Service Retirement

Funding in 1990-91: $46.0 million in local property taxes.

Description: A local board may only issue bonds if 60% of the electorate approve. The maximum bonded indebtedness is 5% of the district's assessed valuation. The maximum length of any bond is 20 years. In 1990-91, 202 districts levied property taxes to retire bonds. Bonds issued by school districts are subject to the provisions of Iowa Code Chapter 75 and 76, Authorization and Sale of Public Bonds, Provisions Related To The Public Bonds And Debt Service. (Statutes: Chapters 296, Indebtedness of School Districts; 298 School Taxes and Bonds)

Schoolhouse Levy

Funding in 1990-91: $26.4 million in local property taxes.

Description: With voter approval districts may levy up to 67.5 cents per $1000 valuation for capital related activities under the schoolhouse fund group. This levy may be requested for up to 10 years. The board may borrow against anticipated revenue from the schoolhouse levy. Permissible activities include purchase of grounds, construction of buildings, repairing or remodeling, expanding buildings, opening roads, repairing roads, improving grounds or facilities, and renting facilities. In 1990-91, 214 districts used the schoolhouse levy. (Statute: Chapter 278.1(7)), Power of Electors)

Site Levy

Funding in 1990-91: $17.0 million in local property taxes.

Description: The board may enact a 27 cent per $1000 assessed valuation levy for activities under the site fund. The funds may be used for the purchase or improvement of sites or for major building repair. The funds may not be used for new construction of school buildings or administration buildings without voter approval. Building repair includes reconstruction, improvement or remodeling to existing schoolhouses or additions to schoolhouses, and expenditures for energy conservation. In 1990-91, 357 districts used the site levy. (Statute: Chapter 297.5, Schoolhouses and Schoolhouse Sites)

Educational and Recreational Tax

Funding in 1990-91: $1.1 million in local property taxes.

Description: With voter approval the board may levy up to 13.5 cents per $1000 valuation levy for the purchase of recreation places and playgrounds in public school buildings and grounds of the district. The board may authorize the use of the funds for recreational programs. The funds may also be used to provide for community education programs, under the Iowa Community Education Act. Once enacted the levy remains in place until rescinded by the board of directors or by the voters of the district. In 1990-91, 19 districts used this source of funds. (Statute: Chapter 300, Educational and Recreational Tax)

V. TEACHER RETIREMENT

Public school employees are covered under Iowa Public Employees Retirement System (IPERS), Chapter 97B, Code of Iowa. Contributions to the IPERS system or a district's previously established retirement system, are made by the employees and the district. The state does not appropriate funds for the retirement system for teachers or any other state employee. Contributions to FICA (social security and medicare tax) also are paid by the local school district not the state. (Statute: Chapter 279.46, Retirement incentives — tax)

VI. SPECIAL EDUCATION

Funding in 1990-91: $162.8 million (14.5% of total state school aid)

Description: Funding for special education instruction is included as part of the basic foundation plan. Schools are funded on the basis of weighted enrollment, which includes the weighting for special education. Students receiving special education are assigned a weight of 1.7, 2.4, or 3.7. These 3 weights are calculated to generate sufficient funds to cover the excess cost of special education. If the excess is not covered and districts incur a deficit, they may be granted additional allowable growth by the School Budget Review Committee to cover the deficit. The growth will be covered by property taxes. If a district has an unspent balance of special education funds, the balance reverts to the state to be used by districts' incurring a deficit.

The financial amounts associated with the weights times district cost are in addition to the regular program amounts. The net impact of the special education weightings through the formula is that the 83% of the cost of special education is paid by the state. In addition to the direct instructional support, special education is also supported and funded through Iowa's area education agencies (AEAs). Using the weighted enrollment each district generates funds for the AEA. The weighted enrollment is multiplied by the AEA instructional amount per pupil. Eighty-three percent of special education support costs also are paid by the state. (Statute: Chapters 442, School Foundation Program; 281, Education of Children requiring Special Education; 273, Area Education Agencies)

State Share: The state foundation aid for direct instruction is $102.7 million. The state foundation aid for instructional support services is $60.3 million. (See Section X — Area Education Agencies.)

Local Share: Local property taxes for special education instruction $21.1 million and $12.3 for special education support services.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: Funded at the local level at $10.3 million

Description: In 1990-91, 357 districts asked the School Budget Review Committee for additional allowable growth to enable then to pay for their gifted and talented program. The additional allowable growth is funded through property taxes. Each program and budget is approved by the Department of Education. Up to 75% of the program's budget may come from the additional property taxes. The remainder must be supported from the general operating funds of the district. For funding purposes not more than 3% of a district's enrollment may be identified as gifted and talented. (Statute: Chapter 442.35, Funding — Gifted and Talented Programs)

State Share: The state does not directly share in the cost of talented and gifted programs.

Local Share: 75% of the funds are from property taxes. 25% of the funding must be from the general operating budget of the district.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $0.15 million (less than 1.0% of total state school aid)

Description: Students identified by the district as having limited English proficiency are weighted 1.10 for budget purposes. This supplementary weighting provision was delayed by the legislature until the 1991-92 school year. School districts requiring additional funds for limited English speaking students could ask permission of the School Budget Review Committee to levy additional property taxes. In 1990, permission was granted to one district to levy $1.8 million additional property taxes for these programs in 1991-92. (Statute: Chapters 442, School Foundation Program; 280.4, Medium of Instruction — Special Instruction)

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $3.7 million (less than 1.0% of total state school aid)

Description: The state appropriated $3.7 million for the 1990-91 school year for the development and conducting of both continuing and new vocational educational programs, services and activities of vocational education programs at secondary schools. Funds may be used for the purchase of instructional equipment for vocational and technical programs.

Area Education Agencies

Funding in 1990-91: $60.3 million (5.2% of total state school aid)

Description: Area education agencies serve as intermediate service units to provide special education support services, media services, and educational services. The AEAs are fiscally dependent upon the school districts. The basic funding formula includes separate funding on a per-pupil basis for each of the 3 service areas. Media and education services are funding entirely from property taxes. Special education support services funding is included in the state aid foundation plan. The effective state support level for special education is 83%. In 1990-91, the state support was $60.3 million. (Statute: Chapters 442, School Foundation Program; 273, Area Education Agencies)

Educational Excellence Program for Teachers

Funding in 1990-91: $92.0 million (7.9% of total state school aid)

Description: State funds are provided to guarantee a minimum salary for teachers of $18,000, provide salary increases for teachers, and to provide funding for performance based pay, supplemental pay for extra work, or a combination of the two. The program is entirely state funded. Approximately $11 million is expended for guaranteeing minimum salaries. Approximately $40 million is allocated on a per-pupil basis, to provide for salary increases, and the remainder is allocated also on a per-pupil basis but conditional on the approval of a plan and budget. (Statute: Chapter 294A, Educational Excellence Program for Teachers)

Drop-out and Drop-out Prevention Programs

Funding in 1990-91: Funded at the local level by $10.1 million in property taxes.

Description: Permission to levy property taxes for drop out and drop-out prevention programs is granted by the state level School Budget review Committee. Each program and budget is approved by the Department of Education. Up to 75% on the program's budget may come from the addition property taxes. The remainder must be supported from the general operating funds of the district. In 1990-91, 75 districts levied additional property taxes to fund their drop-out programs. (Statute: Chapter 442.54, Funding for Programs for Returning Dropouts and Dropout Prevention)

SBRC Additional Allowable Growth

Funding in 1990-91: Funded at the local level by $3.5 million in property taxes.

Description: The basic funding plan for the state includes a budget and tax oversight process which is administered through a state level committee. This 5-member committee which is known as the School Budget Review Committee provides a process by which districts can seek relief due to unique and unusual circumstances. The committee has the power to grant additional spending authority and thus approve increases in property taxes. The most frequent requests for increased budgets are for talented and gifted programs, drop-out and drop-out prevention programs, educational improvement programs, special education deficits, enrollment changes due to open enrollment, enrollment increases, or non-public enrollments impact. The SBRC also reviews the extent to which districts levy for cash reserve and has established the maximum levy permissible. (Statute: Chapter 442.13, Duties of the SBRC Committee)

Enrichment Levy

Funding in 1990-91: Funded at the local level by $3.0 million in property taxes and $5.5 million in income surtaxes.

Description: An enrichment levy is available to districts to permit them to increase their budgets by up to 10% of the state cost per pupil times their budget enrollment. The purpose for the enrichment levy was originally to provide funding for educational research, curriculum maintenance or development of innovative programs, however this restriction was later dropped. The enrichment must be approved by a majority of the district's electorate. The financing support for the enrichment is a combination of income surtaxes and property taxes. The proportionate mix is a property tax of $0. 27 per $1000 assessed valuation for each 5% of income surtax. The maximum tax is a 20% income surtax and a $1.08 per $1000 of assessed valuation property tax. (Statute: Chapter 442.14, Additional Enrichment Amount)

Educational Improvement

Funding in 1990-91: Funded at the local level by $5.7 million in property taxes.

Description: Under the Educational Excellence Program-Projects Act, Iowa school districts could apply to the Iowa department of education for project approval and a recommendation for additional allowable growth. The projects were to provide for innovative programs, curriculum and instructional practices, expansion of educational programs, or staff development. In 1990-91, 158 districts had approved programs and were levying property taxes to support those programs. The maximum amount a district could levy was 1% of its district cost per pupil times its budget enrollment. The minimum amount available was $5,000. (Statute: Chapter 260A, Educational Excellence Program - Projects)

Asbestos Property Tax

Funding in 1990-91: Funded at the local level by $.5 million in property taxes, and $.5 million in income surtaxes.

Description: A local school board may with the approval of the electorate levy a property tax or a combination tax of property and income for the removal or encapsulation of asbestos. The tax can be levied for 3 consecutive years. In 1990-91, 2 districts were using the asbestos property tax levy and income surtax levy. (Statute: Chapter 279.43, Optional Funding of Asbestos Removal or Encapsulation)

Insurance Levy

Funding in 1990-91: Funded at the local level by $25.6 million in property taxes.

Description: District may levy to pay the cost of liability insurance premiums, tort judgments against the district, a self insurance program, cost of a local government risk pool to protect the school corporation against tort liability, loss of property, or any other risk associated with the operation of the school district. In 1990-91, 392 districts used this levy. (Statute: Chapter 296.7, Indebtedness for Insurance Authorized — Tax Levy)

Early Retirement Levy

Funding in 1990-91: Funded at the local level by $5.2 million in property taxes.

Description: Districts may levy to pay for early retirement incentives such as a monetary bonus, and the continuation of health or medical insurance coverage. The program is available only for employees between 59- and 65-years of age. In 1990-91, 115 districts levied for such incentive programs. (Statute: Chapter 279.46, Retirement incentives — tax)

Unemployment Levy

Funding in 1990-91: Funded at the local level by $.6 million in property taxes

Description: District may levy to pay for unemployment insurance premiums or unemployment claims. In 1990-91, 68 districts levied for the cost associated with unemployment compensation. (Statute: Chapter 96, Employment Security — Job Service Division — Unemployment Compensation)

Cash Reserve Levy

Funding in 1990-91: Funded at the local level — $18.4 million

Description: Districts may levy for cash reserve to enable them to manage their cash flow. The cash reserve does not increase their spending authority or budget. The purpose is to provide cash behind existing authority. The cash reserve levy may be used for such items as replacement of state aid not received due to across the board cuts or for property taxes not received due to delinquent payments. (Statute: Chapter 298.10, Levy for cash reserve)

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Funding in 1990-91: $6.9 million (less than 1.0% of total state school aid)

Description: State aid is provided for text books and for transportation for children attending approved non-public schools. The textbook aid is based upon the claims submitted by a public school district for the textbooks requested by the non-public school and purchased by the public school district. The claim is paid at the lesser of the actual cost or the average per-pupil or amount expended by the local school district. In 1990-91, $.6 million was appropriated for textbook aid.

State aid is provided for the transportation of children attending an approved non-public school. Districts are reimbursed based upon the claims submitted to the state for directly providing contracting to provide the transportation or for reimbursing the parents. In 1990-91, $6.3 million was appropriated for non-public transportation.

Non-public students also may attend a public school on a shared-time bases. These students are counted by the districts on a full-time equivalency bases as part of their basic fall enrollment. The program is provided by the public district with the cost supported at the foundation level (83%). For the 1990-91 budget, the shared time enrollment count was 796. This enrollment count generated approximately $19.3 million in state aid and $4. million in property taxes through the formula.

XII. PREKINDERGARTEN EDUCATION

At Risk/Early Childhood Funding

Funding in 1990-91: $8.7 million (less than 1.0% of total state school aid)

Description: State funds are appropriated to provide grants to programs serving low-income families with very young children (birth through age 3), for programs serving low income pre-school children, for public school programs providing pre-school programs for children from low income families, for programs serving elementary school children in schools with high proportions of at-risk students, and for school based youth services programs at middle schools and high schools. This program was in its first year of funding in 1990-91. The appropriation was codified at $11.2 million for 1991-92 plus a built in growth factor for future years. (Statute: Chapter 279.15, Programs For At-Risk Children)

XIII. LOCAL SCHOOL REVENUE

The primary source of revenue for local school districts is property taxes. However, local school districts may through discretionary funding programs, impose income surtaxes. Local districts also generate a small amount of funds by investing revenues.

Property tax revenues from general fund revenues and schoolhouse revenues were $863 million in 1990-91. Debt service totaled $46 million of that amount.

Property values are equalized by the Director of the Iowa Department of Revenue and Finance every 2 years by increasing or decreasing the aggregate valuations for certain classes of property within the 112 assessing jurisdictions. Assessments are adjusted to actual values, except that agriculture values are based on productivity. Adjustments are based on assesement/sales ratio studies as well as investigations and appraisals made by the Department of Revenue. For agriculture realty, productivity and related prices and expenses are used to determine assessed values. If report valuations are more than 5% above or below those determined by the state, the state orders a percentage adjustment on effected class of property.

Tax Credits

Tax credits are provided for agriculture lands and family farms ($43.5 million), homestead ($46.4 million). The $89.9 million by which school taxes are lowered through these tax credits is estimated using state totals of property taxes and tax credits. (Statute: Chapters 425, Homestead Tax Credit; 426, Agriculture Land Tax Credit)

XIV. TAX AND SPENDING LIMITS

Spending limits are imposed under the basic funding through the foundation aid plan. Districts budgets are "controlled" bases upon the district cost per pupil and the total weighted enrollment in that district. Tax limits are imposed on a levy by levy basis, as previously described. There are no state imposed limits on the total property taxes which can be levy for school districts. The cumulative maximum surtax rate is 20%.

XV. EARMARKED STATE REVENUE

No state funds are specifically earmarked for funding elementary and secondary school districts.

KANSAS

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In 1992, the Kansas State Legislature enacted new school finance legislation. The 1990-91 school finance program described below is no longer in effect. A synopsis of the 1992 new school finance legislation appears at the end of the Kansas 1990-91 description.

I. GENERAL BACKGROUND

State

- All programs were in effect in 1991-92, but funding levels were derived from 1990-91 data.
- The state share of general revenues for public schools has remained fairly stable in recent years. Approximately 43% of the USD's general fund revenues in 1990-91 was used to support education, compared to approximately 45% in 1986-87. This includes the 24% state income tax rebate based on income tax liabilities due to the state.
- State funds for public schools are derived through annual appropriations by the Legislature during the regular session (January to April).
- The state paid the local district contribution to the Kansas Public Employee Retirement Fund (KPERS). In 1990-91, this amounted to $45 million and was not considered part of the state aid program.
- State law requires that local school districts prepare their annual budgets based on an 18-month budget cycle and must maintain a carry-over (revolving fund) level of between 40% and 50% each year.
- School finance reform continues to be a major concern of school and state officials. Although considered a high legislative priority in the last several years, equity in school finance has not been satisfactorily accomplished. There is a growing consensus that pending legislation aimed at enhancing funding equity could be successful in revamping the present funding formula.

Local

- There are 304 fiscally independent school districts.
- Ad valorem taxes on property and motor vehicles are the major sources of local tax revenue.

- School district boards of education have the authority to adopt school budgets within prescribed limits and to levy the required taxes without voter approval. However, a school district may increase its budget to any amount with voter approval. The State Board of Tax Appeals also may raise a district's budget limit under certain circumstances without voter approval.
- School districts experiencing declining enrollment are permitted to base their budget projections on the prior year's enrollment less an authorized percentage number of pupils in the current year's enrollment. The allowable percentages are based on the school district's enrollment classification.
- Allowances are made for annual increases in expenditures from Social Security, utilities, and insurance costs. A special provision was passed for 1991-92 which allows additional budget authority for school districts in the 2,000-10,000 enrollment category.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$967 million
Grants in Aid	922 million	
Teacher Retirement Contributions	45 million	
FICA	0	
Total Local School Tax Revenue		858 million
Total Combined State and Local School Revenue		1,825 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

State School Equalization Plan

Funding in 1990-91: $738.2 million (76.3% of total state school aid)

Nature of Program: Basic Support Program, called the State School Equalization Plan. [KSA 1990 Supp. 72-7030 et seq.]

Units: Pupils. Full-time equivalency reported September 20.

Local Fiscal Capacity: Assessed property valuation, personal income, plus other revenue sources.

How Formula Operates: Each school district is guaranteed a budget increase based on its enrollment category median budget per pupil. The enrollment categories for 1991-92 were:

0-399
400-1,999
2,000-9,999
10,000 and over

The enrollment category medians and the state aid norm budget per pupil (BPP) are based on an analysis of median operating costs per pupil at various levels of enrollment, and are subject to change each year by the State Board of Education.

The annual rise in a school district's BPP is limited to legislative action taken each year. The limitation is .75% to 2.25% for the 1991-92 school year. The statute outlines are several other additional mechanisms for raising budget authority.

The basic general state aid formula is:

General State Aid = USD General Fund Budget

minus ((District Wealth x Local Effort Rate) + P.L 874 Receipts + Motor Vehicle Tax + Revenue Bond in-lieu Payments)

State Share: The state's share of operating costs for all school districts is calculated by subtracting the local share (local effort) from the total adopted budget for the district. Each school district's general state aid is computed by subtracting from its legally authorized general fund budget the sum of:

1. School district wealth multiplied by the district's local effort rate (district wealth is defined by the Act as the prior year's assessed valuation of taxable tangible property and 24% of taxable income of residents of the district);
2. Equalized receipts in the preceding school year under P.L. 874, i.e., federal impact aid;
3. Motor vehicle property tax received in the preceding school year;
4. Revenue in lieu of taxes on Industrial Revenue Bonds received in the preceding school year.

The total of these items is defined by the Act as "local effort." No school district is entitled to general state aid unless its general fund budget exceeds its "local effort." Note: The percentages used in the calculation of the local effort rate are determined annually based on the funding level authorized by the legislature each year.

State Income Tax Rebate: Twenty-four percent of the state income tax was rebated to the school district of the resident taxpayer. In 1990-91 the amount rebated was $198 million (21.5% of the total state aid).

Local Share: The principal component of "local effort" for nearly all school districts is item (1) above, i.e., district wealth multiplied by the local effort rate (LER). District wealth is defined as the sum of assessed property valuation and the "formula percentage" of the taxable income of the school district for the most recent year for which both such figures are available. The formula percentage is the percentage of the income tax rebate for the taxable year preceeding the taxable year in which the current schoolyear commences. Under present law, the formula percentage is 24%.

Under the Act, a district's LER for 1991-92 is calculated by taking its BBP divided by the "norm" BPP for its enrollment category and multiplying the result by 6.899% (est.). The percent is then multiplied by the district wealth to arrive at the amount assigned to local effort. This amount (considered a deduct from state aid) plus the total of any other deductions received by the district (PL 874 receipts, prior year's receipts of motor vehicle tax and prior year's receipts in lieu of tax payments from Industrial Revenue Bonds) is subtracted from the legally adopted budget. The difference is the state aid to be received by the district.

Weighting by Grade Level: Weighting by enrollment levels.

Adjustments for Special Factors: In 1991-92, there is a "hold-harmless" provision in the formula which phases out over a 3-year period.

Districts Off Formula: Information not available.

III. TRANSPORTATION

Funding in 1990-91: $47.3 million (4.9% of total state school aid)

Description: The pupil transportation formula is based upon 82% of the actual cost per pupil transported or the state average per pupil transported (whichever is lower) based on a density-cost graph. Aid is provided for pupils living at least 2.5 miles from the attendance center.

State and Local Shares: The state authorizes the amount of transportation aid with the remained assumed by the local district.

Extent of Participation: 304 school districts.

IV. CAPITAL OUTLAY AND DEBT SERVICE

State school aid is not provided for capital outlay financing. Capital outlay funds can be generated locally in 3 ways (Kansas Statutes Annotated, sec 72, 88-01, 1981):

Bond elections which cannot exceed 14% of the assessed property valuation without permission of the State Board of Tax Appeals;

Transfers from the general fund to capital outlay subject to no more than 2% of the total general fund budget. This special transfer is permitted only in the event that a district has a budgeted capital outlay levy for 5 years at a minimum of 3.5 mills.

A special "four mill-five year" capital outlay levy following approval of the school board for pre-determined projects.

V. TEACHER RETIREMENT

Funding in 1990-91: $45 million (4.7% of total state school aid)

Description: The Kansas Public Employees Retirement System is a mandatory program for Kansas educators. Each employee in 1990-91 had 4.0% of their salary withheld while the state acts as the employer by contributing 3.2% of the employee's salary to the program.

Extent of Participation: 304 school districts

VI. SPECIAL EDUCATION

Funding in 1990-91: $125.6 million (13.0% of total state school aid)

Description: The state funds approximately 72% of the excess costs of special education. The state distribution for special education is estimated to be $15,150 per certified special education teacher. Transportation for special education students and teachers is funded at 80% of the cost.

State and Local Shares: The state pays 71% of calculated excess costs. The district pays the balance of costs not reimbursed.

Extent of Participation: Approximately 304 school districts.

Early Childhood Compensatory Education

Included in Special Education.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

Included in Special Education.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $0.6 million (less than 1.0% of total school aid)

Description: Aid is offered to local school districts offering bilingual instruction programs in speaking, reading, writing, or comprehension for pupils of limited English-speaking ability.

State and Local Shares: The state appropriates funds on a per-student basis. The district assumes the remainder of the cost.

X. OTHER CATEGORICAL PROGRAMS

At-Risk Education

Funding in 1990-91: $2.4 million (less than 1.0% of total state aid)

Description: A program designed to enhance opportunities for success of students identified as being at risk of dropping out of school.

State and Local Shares: The state Department solicits competitive grants. The district assumes remaining costs.

Extent of Participation: 35 school districts

State Post-Secondary Aid for Vocational Education

Funding in 1990-91: $14.1 million (1.5% of total school school aid)

Description: Aid for high school graduates enrolled in vocational education.

State and Local Shares: The state pays 85% of average local cost per enrollment-hour of each area vocational-technical school. Districts assume remainder of costs.

State Safety Fund

Funding in 1990-91: $1.4 million (less than 1.0% of total school aid)
Driver Training: 1.35 million
Motorcycle Safety: 50,000

Description: Kansas provides funding for driver training and motorcycle safety. Both programs fund according to the percentage of state pupils completing a course in the district. The refund may not exceed the amount expended for either program.

State and Local Shares: Approximately 25% of the state funds were derived from 50% of the driver's license and 25% of the chauffeur's license fees. The local district pays the balance of costs.

Extent of Participation: 304 school districts, three private schools.

Inservice Education Fund

Funding in 1990-91: $1 million (less than 1% of total state school aid)

Description: The state provides funding for school districts enrolled in the state-approved "Inservice Plan."

State and Local Shares: For school districts with an approved Inservice Plan, funding is determined as the lesser of an amount which is equal to .25 of 1% of the amount of the legally adopted budget of operating expenses of the school district, or an amount equal to 50% of the actual expenses incurred by the school district in maintaining an approved inservice education program. The state's share is estimated to be 16% in 1991-92. Local districts assume remainder of costs.

Extent of Participation: 230 school districts

State Adult Basic Aid

Funding in 1990-91: $0.5 million (less than 1.0% of total state school aid)

Description: Helps assist school districts and community colleges to provide General Equivalency Diploma (GED) testing for students seeking the GED.

State and Local Shares: The state share is equal to the appropriated amount, which is approximately 12%. The local district assumes remainder of costs, usually 88%.

Extent of Participation: 15 school districts

State School Food Assistance

Funding in 1990-91: $2.44 million (less than 1% of total school aid)

Description: School food assistance is based on .05 per meal.

State and Local Shares: The state share equals the authorized amount. Local districts are responsible for the balance of costs.

Extent of Participation: 304 school districts.

Special District Consideration
Fort Leavenworth School District

Funding in 1990-91: $1.6 million (less than 1% of total state aid)

Description: State payment to a school district which has virtually no non-federal land against which local ad valorem taxes can be levied.

State and Local Shares: The state share is equal to the authorized amount. The district is responsible for the balance of costs which is primarily derived from the federal government.

Extent of Participation: 1 school district.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Included in Special Education.

XIII. LOCAL SCHOOL REVENUE

Kansas relies on several taxes to fund the General Fund. The breakdown is as follows:

Income Taxes:	45.5%
Excise Taxes:	45.0%
Other:	3.0%

XIV. TAX AND SPENDING LIMITS

Each local school district is permitted to raise their spending authority in accordance with the budget limitations assigned by the Legislature. The only manner in which districts can exceed the specific limitations is by vote of the people. It is the responsibility of each district to assess the level of taxation necessary to fund the legally adopted budget.

XV. EARMARKED STATE REVENUE

The following state revenue is earmarked for school aid:

Sales Tax:	$762 million
Income Tax:	$900 million

Synopsis of the Main Features of the School Finance Legislation Enacted by the 1992 Kansas Legislature

The 1992 Legislature replaced the former School District Equalization Act with a new law, the School District Finance and Quality Performance Act.

Financing Mechanisms

1. State Financial Aid (SFA). This is the main funding program for school district operations. The purpose of SFA is to ensure equal spending power for similar pupils in school districts. The plan includes 6 pupil count weightings in recognition of pupil, program, or school district characteristics that contribute to higher costs.

In 1993-94 and thereafter, the SFA is determined by multiplying the base state aid per pupil (BSAPP) of district by the district's adjusted enrollment. (In 1992-93, a transition year, the district will receive the lesser of the "formula" SFA or "transitional" SFA). The law sets the BSAPP at $3,600. Adjusted enrollment is calculated by adding to the enrollment of a district weightings for bilingual education (0.2), vocational education (0.5), pupils in new facilities (0.25—for 2 years only and contingent upon full use of available spending authority), and low enrollment (districts under 1,900—from a schedule inversely related to enrollment and based on 1991-92 school district budgets per pupil). Other weightings are for at-risk pupils, contingent upon the actual provision of at-risk programs (0.05 times the number of pupils who qualify for free lunches under the National School Lunch Program) and pupil transportation (cost-density factors and number of pupils transported 2.5 miles or more).

Funding of a district's SFA, or "base budget" is from a combination of local resources (local effort) and state aid (general state aid). State aid makes up the difference, if any, between the amount of the local resources and the district's base budget. If local effort resources exceed the base budget amount, the "excess" local effort is remitted to the state to finance general state aid.

The main source of local effort is the proceeds of the school district general fund property tax that all districts are required by law to impose. This rate is 32 mills in 1992; 33 mills in 1993; and 35 mills in 1994 and thereafter. There is no variation in school district property tax rates among school districts for funding the base budget. Other components of local effort are to be included are such things as motor vehicle tax receipts, mineral production tax receipts, federal impact aid (PL 874) and other revenue sources.

2. Local Option Budget (LOB). In addition to SFA, school district boards may approve Local Option Budget (LOB) spending in any amount up to 25% of the SFA. A district's LOB is funded by a school district property tax and by state aid called "supplemental general state" which is provided via an equalization formula. The state aid treats school districts as if they had assessed valuation per pupil (in the prior year) at the 75th percentile level of assessed valuation per pupil of all districts. A district having assessed valuation at the 75th percentile or above receives no supplemental general state aid. There is no "recapture" or other penalty applicable to the higher assessed valuation districts. Beginning in 1993-94, a school board's use of LOB authority is subject to a protest petition election provision. LOB revenues can be spent for any purpose for which school district general fund expenditures are authorized or may be transferred to certain other school district special funds, but not the capital outlay fund.

3. School District Capital Improvements State Aid. A new, bifurcated state aid program provides equalized state assistance to school districts in making bond and interest payments. State aid is provided to school districts inversely to their current year's assessed valuation per pupil. A state aid factor, a percentage, is applied to the current year's median assessed valuation per pupil. This factor increases or decreases inversely to assessed valuation by 1.0 percentage point for each $1,000 of assessed valuation per pupil above or below the median. The state aid factor is 5% for the contractual bond and interest obligations prior to July 1, 1992, and 25% for contractual bond and interest obligations on July 1, 1992 and thereafter.

Some additional highlights that may contribute to a more complete understanding of the new school finance plan:

1. In the 1992-93 school year, an overriding control is that a school district's SFA or its SFA plus LOB authority may not increase above the adjusted 1991-92 operating budget by more than 10% plus enrollment growth.

2. In connection with (1) above, a district's LOB authority in 1992-93 is not subject to a protest petition election requirement.

3. The law provides that as BSAPP increases in future years, LOB authority is decreased. More specifically, the 25% LOB percentage is reduced by the number of percentage points equal to the number of percentage points by which the BSAPP is increased by legislative act.

4. School districts continue to have a number of special purpose funds to which transfers from the school district fund are authorized. A new contingency reserve fund which allows districts to maintain an amount equal to up to 1.0% if the district's general fund budget for unanticipated financial emergencies or contingencies. Also, there continue to several separate, targeted categorical state aid programs, the most significant of which is special education. The state also makes the retirement plan contribution on behalf of school employers.

5. School districts continue to have separate tax levying authority for capital outlay and for capital improvements approved by the voters. There is no discretionary tax levying authority for general operations other than the LOB.

The editors would like to thank Ben Barrett of the Kansas Legislative Research Department for providing the above information on the 1992 school finance legislation.

KENTUCKY

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I. GENERAL BACKGROUND

State

- On June 8, 1989 the Kentucky Supreme Court ruled that the state's system of financing public schools, from the state department of education to the local school boards, was unconstitutional. The legislature was ordered to re-create and re-establish a new system of common schools in the Commonwealth.

- On April 11, 1990, the Kentucky Education Reform Act, the bill that rebuilds Kentucky's public school system and raises some $1.3 billion for schools and other state services, was signed into law.

  Key Funding Elements of the Kentucky Education Reform Act:

  - A simplified "foundation" system of school finance, called Support Education Excellence in Kentucky (SEEK), guarantees school districts a minimum foundation level per-pupil. In 1990-91, the amount was $2,305; in 1991-92, it is $2,420. Districts will continue to get additional money based on transportation costs, numbers and types of exceptional child education students, and the number of students eligible for free lunches.

  - A minimum local tax effort for schools of 30 cents per $100 of assessed property valuation is required. School districts can raise this money through any combination of the property tax, motor vehicle tax, and 4 other optional taxes.

  - Financial guarantees were made during the first 2 years of the anticipated 4 years it will take to phase in the new funding system. Each district received at least 8% more state money in the 1990-91 budget year and will receive at least 5% more in the following year. No district may receive more than a 25% increase in state funding in either year.

  - A new system for school construction requires districts to add the equivalent of 5 cents to their minimum 30-cent tax. The resulting local money must be used for buildings, but the state equalizes the local contribution when this sum is put into a debt service schedule.

  - A two-tier process allows districts to exceed the required minimum. In Tier I, districts can raise up to an additional 15% of their basic entitlement under a formula that provides state matching money for all but the wealthiest districts and helps property-poor districts to raise money as if they had an average assessed property wealth of $225,000 per pupil — 150% of the statewide average. Above Tier I, a district can increase school finance another 30%, but that amount will not be matched by the state. In Tier I, a school board can raise taxes without voter approval. Any venture into Tier II is subject to a referendum. Districts that already levied a Tier II tax rate were not forced to lower the rate.

- A statewide salary schedule for teachers. The minimum statewide salary schedule was raised 10% for the 1990-91 school year and 5% for 1991-92.
- Reassessment of all real property in the state is required within 4 years as well as improved collection of property taxes.
- A trust fund to reward successful schools was established.

Local

- The state has 176 local school districts. Each is fiscally self-reliant from one another but not from state funding.
- In order to participate in the Support Education Excellence in Kentucky program, all local school districts are required by KRS 160.470 to institute a minimum equivalent tax rate of 30 cents per $100 of assessed property valuation.
- In order to receive state funds from the School Facilities Construction Commission to construct new buildings and renovate old ones, KRS 157.620 requires local districts to commit an additional 5-cent equivalent tax levy for debt service, new facilities or major renovation of existing facilities.

Funding Summary, 1990-91

Total State School Aid (All programs):		$1,712 million
Grants in Aid*	1,484 million	
Teacher Retirement Contributions	228 million	
FICA	0	
Total Local School Tax Revenue		545 million
Total Combined State and Local School Revenue		2,257 million
State Financed Property Tax Credits Attributable to School Taxes	0	

* Includes $13.5 million for the School Facilities Construction Commission.

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $1,452.9 million (84.9% of total state school aid)

This figure does not include funds allocated for Secondary Vocational Education or for Vocational Transportation. These 2 programs are part of the SEEK allocation. However, the legislature chose to list them as separate line items within the SEEK appropriation.

Nature of Program: Minimum foundation program. This program provides operating and capital expenditure funding to local school districts.

Units: Pupils. Prior year number of students in adjusted average daily attendance (ADA). Districts having growth in the first 2 months of the year receive additional funds to help compensate for the growth.

Local Fiscal Capacity: Equalized assessed property valuation plus tax revenues from motor vehicles and permissive taxes. Permissive taxes comprise: utility taxes (including cable television), income tax surcharges, and an occupational license tax.

How Formula Operates: To determine the total state funding allocated to each district, the total appropriation for each year is divided by the aggregate number of students in adjusted average daily attendance for the preceding school year and each district is then given its proportionate share. Each district receives a guaranteed base amount of money for each child in adjusted average daily attendance during the previous academic year. For 1990-91 this amount was $2,305. Additional funds are added to this base amount for the number of at-risk students in adjusted average daily attendance for the preceding year, who are approved for the free lunch program in compliance with state and federal laws and regulations; the number and types of exceptional children in the district as defined in KRS 157.200; and the district's transportation costs during the preceding year.

For 1990-91, no district received less than 108% nor more than 125% of its 1989-90 funding.

State Share: The state's share per district is the guaranteed base amount per child ($2,305 for 1990-91) plus the add-ons for at-risk and exceptional children, and transportation costs, minus the required local share.

Local Share: In order to receive new funds above those for which they had been eligible under the former Foundation Program, districts were required to raise their property tax and motor vehicle equivalent tax rates to the new minimum level, established by KERA, of 30 cents per $100 assessed valuation. No district is required to levy an equivalent tax rate which is lower than their 1989-90 equivalent tax rate. Additionally, districts, by means of board action, may raise revenue sufficient to create an additional 15% above that amount guaranteed by the SEEK program. The state will equalize the increase at 150% of the statewide average per-pupil assessment; define cable television as a utility subject to a utility tax; raise taxes/revenues sufficient to increase its funds up to an additional 30% (such increases shall be subject to a vote of the people).

Weighting by Grade Level: None. However, the Department of Education is required, by KRS 157.360(1.c) to develop weightings for each type of exceptional child by October 1, 1991.

Adjustments for Special Factors: Adjustments are made to the baseline formula for pupil transportation and for the number of children within the district who are classified as either at-risk or exceptional.

Districts Off Formula: None

III. TRANSPORTATION

Pupil Transportation (Basic)

Funding in 1990-91: $107.3 million (6.3% of total state school aid)

Description: Local districts are reimbursed the approved costs of transporting those pupils who live 1 mile or more from school, from home to school and home again.

State and Local Shares: The state pays the approved costs. Local districts pay any additional costs not covered by state aid. The local share for basic transportation amounted to $9.1 million for 1990-91.

Extent of Participation: 173 school districts

Pupil Transportation (Vocational)

Funding in 1990-91: $2.1 million (less than 1.0% of total state school aid)

Description: Local districts are reimbursed the approved costs of transporting public school pupils who are enrolled in area vocational schools, from their home school to the vocational school and return to home school.

State and Local Shares: The state pays the approved costs. Local districts pay any additional costs not covered by state aid. The local share for vocational transportation amounted to $0.7 million for 1990-91.

Extent of Participation: 131 school districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital outlay for Kentucky school districts is generated in a multi-tiered system. There are 3 levels of financing for construction/renovation and other capital needs.

The first level is the capital outlay component, which is part of the base SEEK funding program. This provides $100 per student through the base for construction needs. When used as cash outlay, boards of education may make large equipment purchases or purchase items such as one or more classroom additions, or they may dedicate cash to a major construction renovation project. In addition, boards of education may issue revenue bonds backed by the $100 per student generated in their district.

The second level is the levy of a special voted building fund tax. School districts must levy at least 5 cents per $100 of property assessment. Again, boards of education may use these monies in cash form for capital equipment purchases but also may use the monies for revenue bonds. Within this level, the state provides a separate equity program. The Facilities Support Program Kentucky (FSPK) provides equalized funding from state appropriations for school systems whose property wealth is low in relation to average property wealth in the state (property wealth incremented to 150% of statewide average).

The third level is the School Facilities Construction Commission (SFCC) which appropriates money to school districts based on the percentage of a district's unmet facility needs to the total statewide unmet needs. Each district's facility needs are established as a result of a facilities survey conducted by the Kentucky Department of Education. Districts wishing to participate in SFCC must obligate 80% of their capital outlay and 100% of their local 5 cents per $100 of assessed valuation property tax rate to establish eligibility.

These 3 levels of financing have resulted in an increase in construction/renovation from a yearly average of approximately $50 million to more than $300 million during the 1990-91 fiscal year.

V. TEACHER RETIREMENT

Funding in 1990-91: $227.6 million (13.3% of total state school aid)

Description: Each employer contributes annually to the retirement system an amount which is equal to that amount contributed by its employees who are members of the Kentucky Teacher Retirement System (KTRS) plus an additional 3.25% of the total salaries of its employees who are members of KTRS to discharge the system's unfunded obligations with the interest on such obligations to be the responsibility of the Commonwealth of Kentucky.

State and Local Shares: The state pays the employer contributions. Local districts are responsible for the payroll deduction/collection of employee contributions to KTRS.

Extent of Participation: 176 school districts and the Kentucky Department of Education.

VI. SPECIAL EDUCATION

Funding in 1990-91: $43.6 million (2.5% of total state school aid)

Description: The Department of Education provides statewide leadership to local school districts, to other appropriate public and non-public agencies and to parents, to insure that all disabled children and youth ages 3 to 21 are located, identified, evaluated, and have available to them a continuum of educational services.

The Department of Education is responsible for interpreting and enforcing federal statutes and regulations, developing state statutes and regulations, and monitoring all local programs to ensure compliance. Federal funding is available to the state and to local educational agencies through the preparation and submission of an Annual Program Plan under P. L. 101-476. This program provides for the protection of student and parental rights through due process and is administered by the Department of Education.

Administration of federal and state programs for exceptional children includes the planning, developing, and disseminating of quality educational programs appropriate to children and youth with disabilities. New and improved instructional methods, systems for delivering services, and technology are continually evolving in the field of special education. It is the role of the department to see that these initiatives are communicated and disseminated through policy development, inservice training programs, consultation, technical assistance, and curriculum and program development.

State Share: This program is funded through the SEEK program as an add-on to the basic guaranteed amount per child of $2,305. The add-on is determined based on the district's handicapped child count, subdivided by handicapping condition, multiplied by the dollar amount per child/unit. These are then added together and divided by the district's prior year adjusted average daily attendance to determine the Exceptional Child add-on under the SEEK program for 1990-91.

The categories of handicapping conditions and value per child are as follows:

Severe Handicapping Conditions (Trainable Mentally Handicapped, Deaf-Blind, Hearing Impaired, etc.)	$32,364 for every 6 students
Moderate Handicapping Conditions (Educable Mentally Handicapped, Visually Impaired, and Multi-handicapped)	$32,364 for every 12 students
Least Handicapping Conditions (Speech/Language students in an unduplicated student count)	$32,364 for every 60 students

Local Share: Under limited circumstances, local school districts can be required to provide special services for students whose needs are not being sufficiently met by other means.

Extent of Participation: 176 school districts

VII. COMPENSATORY EDUCATION

Essential Skills Remediation

Funding in 1990-91: $14.7 million (less than 1.0% of total state school aid)

Description: As provided for by KRS 158.750, the Essential Skills Remediation Program provides reading and mathematics remediation in grades 1-3. The program calls for remediation strategies for regular classroom teachers, teacher aides to provide remediation assistance as required, and remediation teachers to provide intensive remedial instruction to qualifying students. The program serves approximately 13,000 eligible students.

State Share: The state determines the eligibility of districts based upon the test scores and observed performance of students. Funds may only be expended on salaries for teachers/instructional assistants. Teachers generate current operating expense funds.

Local Share: None, if current operating expense funds are sufficient to allow the district not to expend additional funds on the program beyond those generated.

Extent of Participation: 176 school districts

Out of District Program

Funding in 1990-91: $3.3 million (less than 1.0% of total state school aid)

Description: This program reimburses local districts for services provided to school-age children who are committed to state institutions or day treatment centers located within their district, for the treatment of mental illness, emotional disturbance, mental retardation, or behavior disorders.

State and Local Shares: The state pays 100% of the costs of this program. All local district costs are fully reimbursed after the close of each academic year.

Extent of Participation: 23 school districts

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $6.3 million (less than 1.0% of total state school aid)

Description: This program provides technical assistance, monitoring, and evaluation of both programs, and teachers of academically gifted students through grants to local school districts. It provides exam reimbursement to students and technical assistance to districts which offer the Commonwealth Diploma to graduating seniors. The program develops pre-college curriculum for gifted students.

State and Local Shares: Gifted and talented education is funded through the SEEK program as a categorical grant which pays for the salaries of teachers and a full or part-time program coordinator in each district. Local districts are responsible for all program costs beyond those provided through the grants which they receive.

Extent of Participation: 176 school districts

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $4.0 million in SEEK add-on funds (less than 1.0% of total state school aid)

Description: Responsibility for vocational education programs is divided between the Department of Education and the Workforce Development Cabinet. The Department of Education is responsible for the secondary vocational education programs in local school districts and area vocational education centers.

The Commonwealth of Kentucky provides, through the SEEK program, secondary vocational education program funds for each local school district. This program is managed by the Department of Education.

The federal government's Carl D. Perkins Vocational and Applied Technology Act of 1990 is administered by the Department of Education. This act provides supplemental funding of $6.3 million for improving secondary vocational education programs which integrate academic occupational skills in order to prepare students to work in a technologically advanced society. All programs funded must be of a size, scope, and quality to be effective, must integrate academic and occupational skills, and must meet the needs of special populations.

The Workforce Development Cabinet is responsible for post-secondary, adult basic education, vocational-technical education, and vocational rehabilitation programs. During 1990-91, the Cabinet's budget was $160.3 million.

State Share: The Kentucky General Assembly has provided funding for secondary vocational education through the SEEK program. Teachers' salaries are paid out of the basic SEEK funding received by each district. Additional funds for instructional material, supplies and equipment are received by districts through SEEK add-on funds based on the number of local students who participated in secondary vocational education programs in the 1989-90 school year.

The Department of Education is responsible for the implementation of the Perkins Act throughout Kentucky. The Department develops and distributes an application form which local school districts then use in applying for funding under the Perkins Act. The Division of Secondary Vocational Education reviews all applications, approves and monitors all programs and distributes grants to all qualifying school districts.

Local Share: The Kentucky program has no match requirement although local districts may, at their discretion, fund secondary vocational education programs above the funding levels received/required.

Districts participating in the Perkins Act grant program are responsible for the maintenance of existing programs. Funds received through the Perkins Act program, which are designated for disadvantaged and handicapped children, required a local district match of 25% in 1990-91.

Extent of Participation: 173 school districts

Ungraded Primary School Program

Funding in 1990-91: None. *Funding begins in 1992-93.*

Description: The Ungraded Primary School Program is designed for children 5 to 8 years of age. This program is intended to develop children's self-esteem and a lifelong love of learning. Children are allowed to progress at their own pace during this phase of their education so that they will not feel a sense of "failure" or otherwise be stigmatized because they are unable to "keep up." The curriculum is structured to develop children's knowledge and skills in all developmental areas—physical, social, emotional, and intellectual. In order to facilitate children's learning, teacher teams may conduct activities involving whole groups, small groups or even an individual child. Each child is viewed as a unique person with an individual pattern and timing growth.

State Share: To be funded through the SEEK program starting in 1992-93.

Local Share: There is no specified matching funds requirement for this program. Local districts may subsidize the program with local funds if they wish, however, there is no requirement that they do so. Programs begun prior to July 1, 1992 are funded from local district funds.

Extent of Participation: 176 school districts

Textbook Programs

Funding in 1990-91: $7.8 million (less than 1.0% of total state school aid)

Description: The state textbook commission approves and adopts all textbooks. Local school districts adopt its textbooks from the state-approved adoption list.

State and Local Shares: The state funded amount, $7.8 million provides all grade K-8 students with free textbooks. Local school districts are given a per-pupil allotment with which to purchase such books. Local boards of education purchase textbooks for students in grades 9-12; pupils help "pay" for textbooks through textbook rental fees of up to $4 per class, per year.

Extent of Participation: 176 school districts

Employee Benefits

Funding in 1990-91: $95.7 million (5.6% of total state school aid)

Description: The State Board for Elementary and Secondary Education adopts the necessary regulations to implement the state health insurance program and the state life insurance program for both certified and non-certified public school personnel who qualify for participation.

State and Local Shares: The state pays 100% of both basic programs which amounts to $95.2 million for the state health insurance program and $0.5 million for the state life insurance program. Local districts are responsible for payroll deductions for any dependent health insurance premiums for eligible employees who wish health insurance coverage for one or more members of their immediate family and are responsible for payroll deductions of premiums for any additional life insurance desired by eligible employees.

Extent of Participation: 176 districts and 5 educational cooperatives

School Equity/Reform Initiatives

A. SEEK

See Section I — State

B. Instruction

Teacher Testing and Internship

Funding in 1990-91: $2.8 million (less than 1.0% of total state school aid)

Description: This program requires a passing score on written tests prior to receiving state teacher certification. It provides for the validation of out-of-state tests for use in Kentucky and establishes passing scores. Additionally, the program provides for a beginning teacher assistance and assessment program, trains teacher evaluators and establishes beginning teacher committees.

State and Local Shares: The state provides 40% funding for local public school resource teachers and 14% to private and parochial school teachers who are involved in this program. (During 1990-91 approximately 14% of all teacher interns were employed in private/parochial schools). Local school districts are not required to spend additional monies on this program but they may do so if they wish. Participating private and parochial schools are required to pay the costs of substitute teachers.

Extent of Participation: 176 public school districts, all 4 dioceses, and approximately 20 accredited private schools

Staff Development

Funding in 1990-91: $1.1 million (less than 1.0% of total state school aid)

Description: The State Board for Elementary and Secondary Education provides for a series of state-sponsored professional development programs for certified personnel throughout the Commonwealth. Such programs focus on the following during the 1990-1992 biennium: the Kentucky Education Reform Act of 1990 (KERA), school based decision making, performance based student assessment, non-graded primary programs, research based instructional practices, instructional uses of technology, effective awareness, and sensitivity training (teachers can motivate and nurture students of diverse cultures).

State and Local Shares: The state pays 100% of this program. Local districts are not responsible for any of the costs. Any in-service programming beyond the scope of this program, however, is the financial responsibility of the districts.

Extent of Participation: 176 school districts

Family Resource/Youth Service Centers

Funding in 1990-91: $0.125 million (less than 1.0% of total state school aid)

For 1991-92, this program is funded at $15.0 million.

Description: A provision of the Kentucky Education Reform Act requires that the Governor of Kentucky appoint a task force to formulate a 5-year plan to implement a network of family centers across the Commonwealth. The centers are to be located in or near each elementary school in which 20% or more of the student body is eligible for free school meals. The plan has the following components: (a) full-time preschool child care for children 2-3 years of age; (b) after-school child care for children ages 4-12 including full-time child care during the summer and on other days when school is not in session; (c) families in training: an integrated approach consisting of home visits, group meetings, and the monitoring of child development designed to assist new and expectant parents; (d) Parent and Child Education (PACE) program; (e) support and training for child day care providers; and (f) health services, referral to health services or both.

The plan developed by the task force will also include a 5-year plan to implement a network of youth services centers across the Commonwealth. The centers are to be located in or near each school, except elementary schools, which service youth over the age of 12 in which 20% or more of the student body is eligible for free school meals. The plan has the following components: (a) referrals to health and social services; (b) employment skills development; (c) summer and part-time job development; (d) drug and alcohol abuse counseling; (e) family crisis and mental health counseling.

A grant provides financial assistance to eligible school districts which establish family resource centers and youth services centers. The Cabinet for Human Resources establishes the criteria for the awarding of all grants for this program.

Extent of Participation: All qualifying districts

Extended Time for Students

Funding in 1990-91: $18.0 million (1.0% of total state school aid)

Description: Local school districts are required to provide additional education for students who need it in order to meet the standards of achievement expected of all students. This extended educational period may be in terms of days, weeks, or years which extend beyond the mandated 185-day school term.

State and Local Shares: Funding for this program is to be allocated to local districts through grants administered by the Department of Education. Local districts are required to pay that portion of the program, if any, for which grant funds are not sufficient.

Extent of Participation: 176 school districts

Regional Service Centers

Funding in 1990-91: None. *Funding begins in 1991-92*

Description: Beginning with the 1991-92 fiscal year, regional service centers are to be established. The primary mission of these centers is the professional development of local school district personnel.

State and Local Shares: The state will assume 100% of the costs of this program.

Extent of Participation: No districts participated during 1990-91.

Education Accountability Office

Funding in 1990-91: $0.35 million (less than 1.0% of total state school aid)

Description: The Education Accountability Office is an independent arm of the Kentucky General Assembly. This Office is responsible for monitoring the education system and the implementation of the Kentucky Education Reform Act (KERA). Its more specific duties are: to conduct an on-going review of the state's system of education finance; to verify the accuracy of district and state assessment and review records; to investigate allegations of waste, mismanagement, and fraud at the state or district level. All reports emanating from this Office go to the Legislative Research Committee for review and appropriate follow-up.

State and Local Shares: The entire budget for the Education Accountability Office is paid through state funds.

Extent of Participation: Not applicable.

Successful School Rewards

Funding in 1990-91: $15.0 million (less than 1.0% of total state school aid)

The funding was escrowed for 1990-91.

Description: The State Board for Elementary and Secondary Education is to provide a system or formula that may be used to identify successful schools.

State and Local Shares: The state pays 100% of the escrowed amount. The cost, if any, to local districts for this program is yet to be determined by the State Board for Elementary and Secondary Education.

Extent of Participation: All qualifying districts

Technology

Funding in 1990-91: $15.0 million (less than 1.0% of total state school aid)

The funding was escrowed for 1990-91.

Description: The Council for Education Technology is to develop a 5-year plan to improve learning, curriculum, and professional development training and to plan to establish and implement a uniform and integrated set of standards for financial accounting and reporting to be used by all local school districts.

State and Local Shares: The state pays 100% of the escrowed amount. The local share has not yet been determined.

Extent of Participation: Pilot districts currently. All other districts will eventually participate.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

See Section X — Teacher Testing and Internship.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $21.0 million (1.2% of total state school aid)

Description: Beginning with the 1990-91 school year, local school districts are responsible for providing an appropriate one-half day pre-school program for 4-year-olds who are at risk of educational failure.

Such programs in local districts are not to duplicate existing kindergarten programs or to be funded in part by the supplanting of federal funds. Children are identified as being at risk if they meet the eligibility criteria of the federal school lunch program.

State Share: The Kentucky State Department of Education administers this grant program and distributes all funds based upon the program guidelines and regulations adopted by the State Board for Elementary and Secondary Education.

Local Share: Local school districts may provide services for which the state grant is insufficient. Additionally, if the state grant is not sufficient to pay for all required components of the local pre-kindergarten program, local funds would need to be expended. However, if a local district did not have adequate facilities and/or space to comply with the applicable statute (KRS 157.226), then it could apply for a 1-year exemption from compliance. All local school districts are required to implement such a program by the beginning of the 1991-92 academic year.

Extent of Participation: 176 school districts

XIII. LOCAL SCHOOL REVENUE

See Section I. General Background — Key Funding Elements of the Kentucky Education Reform Act and Section II. Basic Support Program — Local Share.

XIV. TAX AND SPENDING LIMITS

See Section I. General Background — Key Funding Elements of the Kentucky Education Reform Act and Section II. Basic Support Program — Local Share.

XV. EARMARKED STATE REVENUE

None.

LOUISIANA

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I. GENERAL BACKGROUND

State

- The state share of general fund revenues for public schools has increased steadily in recent years. The average state share has been 35% for approximately the last 10 years. In 1988, a small increase to 36.3% was realized and in 1989-90 a further increase to 37.80% occurred. It is expected that for the 1990-91 fiscal year, when the final figures are obtained, the state share will again reach 40%, a level at which it has not been since 1968. If the state revenue sharing program were to be added to the percentage going to local school districts, approximately a 2% additional increase would be realized.

- Louisiana uses an equalization formula based upon minimum needs of school districts, less 5.5 mills of the school district's net taxable property.

- State funds for public schools come from the state bond security and redemption fund, which are deposited in the state treasurer's office and after payment of debt service and any retirement obligations the remaining balance is transferred into the state general fund. Taxes in the state of Louisiana come from several sources. Approximately 35% of the state revenue comes from the severance tax, 35% from sales taxes, and the other 30% from miscellaneous fees, income taxes, and so forth. Appropriations to school aid are made through the state general fund.

- School finance reform continues to be a major concern of both state officials and citizens' groups. The governor of Louisiana has made elementary and secondary education a high legislative priority for several years. Major changes have occurred. A new formula was implemented in 1988, the Children First Act was implemented in 1988, and teachers have received a 30% pay raise in that period.

Local

- The state has 66 K-12 districts, all of which are fiscally independent.

- Sales taxes, property taxes, mineral income, and impact aid constitute the source of local district tax revenues. Virtually all property tax rate increases require voter approval.

- The Louisiana Constitution provides for 5 mills of net taxable property as revenue for school districts, except for Orleans school district in which 13 mills is provided. The Constitution further allows that any limitations upon taxation shall be imposed by the legislature under normal statutes. The current statutory limitation on millage except for bonded indebtedness is 70 mills. Bonded indebtedness has no millage limitation; however no more than 75% of the assessed value of property from that local school district may be bonded at one time.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$2,000 million
Grants in Aid	1,856 million	
Teacher Retirement Contributions	144 million	
FICA	0	
Total Local School Tax Revenue		1,053 million
Total Combined State and Local School Revenue		3,053 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $1,611.5 million (80.6% of total state school aid)

Nature of Program: Foundation. Guaranteed allocation of resources, based upon student population on October 1.

Units: Teacher/Instructional Units based on number of Pupils in membership as of October 1.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: The formula sets forth a set of criteria for earning teachers, administrative personnel, teacher retirement, transportation, and special education on the basis of the student count in each school district on October 1.

Minimum Foundation Instructional Program ($1,345.8 million)

A. Regular Education Program

1. Regular teachers — total number allotted and employed (38,228.0) on the basis of current student membership at salary according to the State Minimum Salary Schedule, the allotment to be the sum of a school-by-school allotment and an allotment on a parishwide basis as follows ($751.1 million):

   a. School-by-school based on a 25-to-1 pupil-classroom teacher ratio for all grades with the current allotment table for secondary schools or departments applied to total membership in each school, beginning at the fourth step. (This eliminates for allotment purposes schools with a membership of fewer than 117 students, except those small high schools located more than 10 miles from the next high school. In such cases the school will be allotted 1 teacher for each secondary grade.)

   b. Parishwide basis on sliding scale, beginning with a 200-to-1 pupil-teacher ratio for the first 5,000 student membership; 350-to-1 for the next 5,001 to 10,250; 500-to-1 for the next 10,251 to 25,250; 750-to-1 for the next 25,251 to 50,000; and 1,000-to-1 pupil-teacher ratio for membership over 50,000.

   c. In addition to the allotment of teacher in (a) and (b) above, a supplemental allotment of teachers shall be made for grades K-3, using the difference between a 20-to-1 pupil-classroom teacher ratio and a 25-1-to-1 pupil-teacher ratio to be applied on a parishwide basis to the total membership in grades K-3. Any additional teachers generated under this allotment by reducing the funding ratio from 24-1 to 20-1 shall not be used in the computation of administrative position allotments in (I) (A) (2).

   d. Base salary and salary increment for certified second-language specialists in elementary grades, Act No. 714 of 1975 and Senate Concurrent Resolution No. 15 of First Extraordinary Session, 1977.

2. Instructional supervisors, visiting teachers, social workers, principals, assistant principals, and other certified or licensed personnel — on a sliding scale beginning with 15-to-1 teacher-administrative ratio for the first 195 regular and special education teachers allotted and employed; 18-to-1 for the next 196 to 342 regular and special education teachers allotted and employed; 21-to-1 for the regular and special education teachers allotted and employed over 342. Total number allotted and employed (2,365) at 1-1/3 times actual salary according to the state elementary and secondary schools, based on the State Minimum Salary Schedule for teachers ($75.7 million).

3. Sabbatical leave pay — 1/2 of the pay of the State Minimum Salary Schedule for a beginning teacher with a bachelor's degree multiplied by the actual number of (full-time equivalent) on a sabbatical leave for the previous year (951.7) ($6.9 million).

4. Accumulated Sick Leave Severance Pay (not to exceed 25 days for any employee) — 75% of the actual payments for the previous year (to be distributed on the basis of student membership), 774,548 x $3.85230063 ($3.0 million).

5. Worker's Compensation — 75% of the actual payments for teaching personnel the previous year (to be distributed on the basis of student membership), 779,548 x $14.02493208 ($10.9 million).

6. Unemployment Compensation — 75% of the actual payments for teaching personnel the previous school year (to be distributed on the basis of student membership) 779,549 x $1.57467981 ($1.3 million).

7. Textbooks, Library Books, and School Supplies to be distributed on a per-pupil basis ($21 million).

8. Group Insurance Program for teachers and retirees ($87.8 million).

9. Costs associated with extended employment for Agri-Business Teachers ($1.9 million).

B. Special Education Program

1. Special Education teachers — allotted and employed total number allotted and employed (8,503.3) based on pupil-teacher ratios contained in Regulations Implementing Act No. 754 of 1977 multiplied by salary according to State Minimum Salary Schedule for teachers. This allotment shall be on a progressive basis and in effect throughout the school year ($161.9 million).

2. Special education supervisors — one for each parish (65), if employed, at 1-1/3 times salary according to State Minimum Salary Schedule for teachers ($2.1 million).

3. Special education teachers' aides — number allotted and employed (4,502.0) based on ratios contained in Regulations for Implementing Act No. 754 of 1977 multiplied by actual salary, limited to $6,012 per aide ($27.1 million).

4. Assessment teacher(s) and school psychologist(s) and nonpublic school appraisal personnel — one allotted for the first 160 or less and for each 160 additional teachers (regular and special allotted and employed) or major fraction thereof in the public school systems and one per every 3,500 nonpublic school students, using membership for the prior school year as the basis for both nonpublic and public school calculations. Number of allotted (856.7) at 1-1/3 times the actual salary according to the State Minimum Salary Schedule for teachers. Funds for support services shall be distributed according to the State Board of Elementary and Secondary Education's approved schedule ($26.4 million).

5. School social workers, other certified and licensed personnel, and nonpublic school appraisal personnel, for public appraisal and intervention servicesone allotted for each 210 teachers (regular and special) or major fraction thereof allotted and employed in the public school systems and one per every 4,500 nonpublic school students, using membership for the prior school year as the basis for both nonpublic and public school calculations. Number allotted at 1-1/3 times the actual salary

according to the State Minimum Salary Schedule for teachers. Funds for support services shall be distributed according to the State Board of Elementary and Secondary Education's approved schedule (Included in 4. above).

6. Occupational and physical therapists — one allotted at a ratio of 18-35 students per therapist with the salary based on the State Minimum Salary Schedule for teachers when employed (Included in 1. above).

7. Special education transportation (actual cost of bus transportation routes, plus bus attendants at a salary of $4,529 per attendant) ($20,354,967).

C. Retirement: State contributions to teacher's retirement as required by R.S. 17:420.1 ($144.3 million).

D. Foreign Associate Teachers
Foreign associate teachers, and related expenses, including salary, transportation, insurance and other related costs as determined by the Board of Elementary and Secondary Education ($4.1 million).

Minimum Foundation Support Services Program ($305.6 million)

A. Each school board shall receive an amount based upon the prior year actual funding for the following items plus a rate increase for noninstructional group benefits less a uniform percentage of 1986-87 state and local funding for all school boards. These payments shall be in the aggregate approximately 83.9% of the amount of the Minimum Foundation Support Services Program.

1. Group insurance payments for nonteaching related personnel
2. School nurse program
3. Teacher retirement contributions for nonteaching related personnel in the MFP
4. Teacher retirement contributions for school lunch employees
5. School employee retirement contributions
6. Worker's compensation and unemployment compensation for nonteaching-related personnel
7. Transportation expenses
8. Salary adjustments for other employees whose salaries are not governed by a minimum salary schedule
9. Average daily membership payments for utilities, insurance, etc.
10. Gifted/talented program enhancements
11. Special education materials and supplies enhancements
12. School lunch employee salary enhancements. Each parish and city school board must expend an amount for school lunch salary that is equal to or greater than 12% of the amount that each school board received from the state during 1987-88 for school lunch employee salary supplement.

Parish Equalization

A. $15,000,000 to be distributed to individual school boards based upon recommendations made by the State Superintendent of Education and upon a 2/3 vote of concurrence by the State Board of Elementary and Secondary Education in order to provide support to school boards that need assistance due to the loss of state funds.

State Share: The state share is equal to the calculated minimum foundation amount minus the local share.

Local Share: The local share is equal to the yield generated by a 5.5 mill tax rate on current assessed value of taxable property.

Weighting by Grade Level: None by grade level. The number of teacher units generated for special education based on handicapping condition.

Adjustments for Special Factors: See Parish Equalization above.

Districts Off Formula: None

III. TRANSPORTATION

See Section II — Basic Support. Additional information not available.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

State school aid is not provided for capital outlay financing. Capital outlay financing needs of local districts can be met from (1) cash reserves, (2) building and site sinking funds, and (3) the sale of bonds. However, under the provisions of Article VII of the Louisiana Constitution, a school district may borrow up to 75% of its assessed evaluation of property and may retire the debt at the required mills needed to do so.

Cash Reserves. Minor capital outlay needs can be financed from (a) unencumbered funds in an existing building and site fund, (b) federal assistance under P.L. 815 if the district qualifies, (c) proceeds from the sale of building and/or land, and (d) monetary gifts.

Building and Site Sinking Funds. A local school district can establish a building and site sinking fund, subject to the provisions of Article VII of the Louisiana Constitution. These funds can be used only for capital outlay purposes.

Bonds. A local school board by resolution, and with a vote of the electorate, may issue bonds that — together with the district's outstanding bonded indebtedness — do not exceed 75% of the district's assessed property valuation. Qualified bonds are guaranteed 100% by the state. The local school board has no authority to set the necessary tax rate for debt retirement. The debt rate for retirement must be an equivalent millage established when the bond issue is sold.

All bonds issued by school districts in Louisiana are subject to the provisions provided in Title 39 of the Louisiana Revised Statutes. Approval must be obtained from the Louisiana Bond Commission before bonds are sold.

Other Debt Service

In addition to the debt service provisions noted above for the sale of capital outlay bonds, the state of Louisiana allows a local school district to sell bonds, upon voter approval, for the elimination of operating deficits. Such millage as is necessary must be pledged for the retirement of these bonds, and such bonds must be approved by the legislative audit advisory committee, a local government review board, and the Louisiana Bond Commission.

V. TEACHER RETIREMENT

Funding in 1990-91: $144.2 million (7.2% of total state school aid)

Description: State aid retirement payments are made to the local school districts, who in turn are billed by the Louisiana Teacher Retirement System and pay into it monthly. The present contribution rate for 1990-91 was 13.8% of teacher salaries as provided for in the basic education formula.

The state teacher retirement system's funding requirements are determined by actuarial percentage of the aggregate payroll sufficient to cover future pension obligations of current service and to provide for the unfunded portion of the annual pension allowances. The state also provides funding for the health insurance costs of public school retirees, retirees' spouse, and dependents. Each year, the appropriations act provides for the actuarial percentage required for that fiscal year. The current appropriations bill for the 1991-92 fiscal year requires a total contribution rate of 17.9% on teachers' salaries.

The state does not pay FICA.

VI. SPECIAL EDUCATION

Funding in 1990-91: $265.0 million (13.3% of total state school aid)

Description: There are 3 separate programs for special education (LRS 17:1941 *et. seq.*). The first, funded at $237.8 million — all state general fund — is provided through the equalization program to the local school districts. This program provides for teachers, administrators, and assessment teams (see Section II). The second, funded at $12.2 million, is for contractual services and is provided to all school districts for special needs. The third, funded at $15 million, is for the state's gifted and talented program. Federal funds are provided and are sent to each school district based upon a formula devised by [illegible] special education department and approved by the Board of Elementary and Secondary Education.

State and Local Shares: The district assumes the remaining costs for all 3 programs.

Extent of Participation: All 66 school districts participate.

VII. COMPENSATORY EDUCATION

K-10 Compensatory Education

Funding in 1990-91: $5 million (less than 1.0% of total state school aid)

Description: Funds are provided to local education agencies to remediate those students who have failed parts of the Louisiana Educational Assessment Program (LEAP). Tests are administered in grades 3, 5, 7, 10, 11, and 12 in the areas of English Language Arts, Mathematics, Science, Social Studies, and Written Composition. The state mandates by statute and Board policy that any student who fails any part of the test shall be remediated.

State and Local Shares: The funds which the state allocates for this purpose are distributed to the Local Education Agencies on a per unit basis. (A student who fails English and Mathematics generates 2 units in which the student must be remediated.) The funds allocated from the state come from two sources: $4.5 million from the state general fund and $500,000 from the Louisiana Quality Education Support Fund. The $500,000 allocation is for providing remediation to high school students only. Since students in high school must pass all parts of the LEAP test in order to graduate, extra effort is exerted to provide them with the skills needed to pass the test. The local school systems must assume any other costs.

Extent of Participation: All local school systems must participate.

Early Childhood Compensatory Education

Funding in 1990-91: $3.5 million (less than 1.0% of total state school aid)

Description: The State-funded program for High Risk Four-Year-Olds provides experience that meet children's needs in all developmental areas, and provides opportunities for parents to learn techniques for working effectively with the children at home and at school. The program's objective is to increase the readiness of preschool children for success in school. The project services children who meet the following criteria: one year younger than the age required for kindergarten; at risk of being insufficiently ready for the regular school program based on screening results; from families with annual income under $15,000; and from families that agree to participate in various activities associated with the program.

State and Local Shares: The state provides funds which include salaries and benefits for a certified teacher and paraprofessional, and an allocation for supplies and materials. New programs receive additional funding in order to equip the classroom with appropriate materials and equipment. School systems receive full funding and are responsible only for supplying classroom space, and purchasing materials in addition to those funded through state monies.

Extent of Participation: 87 projects in 63 of 66 school systems

VIII. GIFTED AND TALENTED EDUCATION

For information, see Section II — Basic Support and Section VI — Special Education.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: Included in Basic Support Program funding.

Description: Funding through the Basic Support Program is used for vocational technical programs at the secondary level. Vocational agriscience teachers are provided 12 month employment and travel funds. There exists no specific source of state funding for equipment and supplies.

Extent of Participation: Vocational Education programs are offered in 66 school districts.

School Dropout Prevention Pilot Programs

Funding in 1990-91: $0.6 million (less than 1.0% of total state school aid)

Description: The primary focus of the program was to improve the academic achievement of students. Grants were awarded to local school systems to develop and pilot test a uniform, statewide system for the identification of potential dropouts and academic intervention strategies targeted toward reduction of the high school dropout rate. Based on the problems of potential school dropouts, areas addressed included: (1) alternative education programs, (2) over-aged students, (3) academic achievement, (4) potential dropouts retention in school through alternative methods of instruction, (5) discipline problems, (6) suspensions, and (7) truancy/tardiness.

Students in grades K-12 received services.

Extent of Participation: 12 districts, 13 programs

Student Information System

Funding in 1990-91: $0.2 million (less than 1.0% of total state school aid)

Description: This system provides for unique identification of students, early identification of "at-risk" students, and longitudinal data on each student's educational progress, with other applications of this data to include more accurate school counts of membership, attendance, suspensions, expulsions, and dropouts.

State and Local Shares: Funding is a total state effort at this point in time.

Extent of Participation: The program is only being piloted in selected districts at this time, but the intent is a total participation by all local districts.

Professional Development

Administrative Leadership Academy

Funding in 1990-91: $0.4 million (less than 1.0% of total state school aid)

Description: The Administrative Leadership Academy was established in 1987 under the authority and management of the State Board of Elementary ad Secondary Education in accordance with R. S. 17:3761-3764. The legislation was drafted in order to encourage public school administrators to participate in training activities designed to enhance their leadership skills. Accordingly, the Administrative Leadership Academy is responsible for monitoring the acquisition of academy credits for administrators who are required to earn 15 such credits during each 5-year period of administrative services (i.e., superintendents, principals, assistant principals, and central office administrators directly involved with the supervision of classroom instruction) and for providing training experiences for those administrators. In addition, the academy is charged with assisting local districts in the identification and professional development of prospective administrators. In the 4 years of its existence, the Academy has sponsored and/or coordinated training for its members which include Louisiana LEAD, an internship program for provisionally certified principals; the Louisiana Principal Assessment Center, a program to identify administrative skills in prospective principals; Leader 123, a training program in instructional leadership; and Don Matuzak's IBM Training, a training program in situational leadership. Other programs under development include Springfield, the California School Leadership Academy Training and the Dupont Training.

State and Local Shares: The state has provided funding under the Louisiana Quality Education Support Fund 8(g).

Extent of Participation: The Academy has approximately 3500 members which include principals, assistant principal, central office supervisors, and superintendents of each school district statewide.

Model Career Options Program

Funding in 1990-91: $0.4 million (less than 1.0% of total state school aid)

Description: This program rewards exceptional teachers with salary enhancements and career advancements while expanding the use of valuable teacher talents in the schools.

State and Local Shares: Funding is a total state effort.

Extent of Participation: The program is offered to all teachers who score superior in their teacher evaluation, and who have a masters degree and seven years of teaching experience.

Teacher Internship Program/Teacher Evaluation Program

Funding in 1990-91: $7.8 million (less than 1.0% of total state school aid)

Description: The Louisiana Teaching Internship Program provides for on-the-job assessment and team support of the new, beginning teacher.

The Louisiana Teacher Evaluation Program provides for the on-the-job evaluation of all experienced teachers every five years and provides feedback and professional assistance for teachers.

State and Local Shares: The funding is a total state effort, but any remediation costs are borne by the local education agencies.

Extent of Participation: All local school districts participate. All new teachers participate in the TIP portion, and all experienced teachers are evaluated over a 5-year period.

Staff Development for School Administrators

Funding in 1990-91: $0.2 million (less than 1.0% of total state school aid)

Description: This project is designed to strengthen the instructional leadership role of the school principal through staff development directed toward the content of a statewide teacher evaluation program.

State and Local Shares: Funding is a total state effort in Chapter II.

Extent of Participation: All principals and school districts will participate.

Court Ordered Desegregation

Funding in 1990-91: Included Basic Support Program funding.

Description: The funds provide the state's share of desegregation costs mandated by the federal courts in *Brumfield* v. *Dodd.*

State and Local Shares: By ruling of the federal district court, the state is obliged to provide continuing fiscal support to further desegregation activities in the affected districts. The districts assume the remaining costs.

Extent of Participation: The desegregation program involves 66 local school districts.

Regional Educational Media Centers

Funding in 1990-91: $0.8 million (less than 1.0% of total state school aid)

Description: Regional Offices in each of the 8 congressional districts are to provide to the local education agencies services that can best be organized, coordinated, managed and facilitated at a regional level.

State and Local Shares: These offices are total state effort.

Extent of Participation: All 66 school districts are considered to be participating.

Alternative Juvenile Rehabilitation

Funding in 1990-91: Included in Basic Support Program funding

Description: Local or intermediate districts which operate nonresidential alternative juvenile rehabilitation programs, in cooperation with the juvenile division of the parish probate court, are eligible for state funding.

State and Local Shares: The state reimburses on the basis of the basic support program for teachers and other costs.

Extent of Participation: 42 school districts

Quality Incentives

Funding in 1990-91: $0.8 million (less than 1.0% of total state school aid)

Description: The overall goal of the Effective School Program is to provide schools in Louisiana with a structure and process for school effectiveness/improvement that is responsive to the diverse needs of students and that schools provides for the coordination and integration of a number of state-initiated reform projects.

State and Local Shares: Funding is from the state level via a grant from Chapter II.

Extent of Participation: All 66 school districts are considered to be participating.

School Age Parents

Funding in 1990-91: $0.3 million (less than 1.0% of total state school aid)

Description: LEAs operating a pilot parent education program received the parent educator(s) salaries, benefits, travel, materials, and supplies, postage, and training expenses. The remaining cost for program operation was funded by each LEA as an inkind contribution.

State Share: The State reimbursed each school district for 100% of the actual cost of the salary and benefits for each parent educator in an amount which was based on each LEA's pay scale. Other allowable maximum costs for each pilot site included the following: travel, $3,500; materials/supplies, $3,000; postage/printing, $500; and parent educator training, $1,250 per person.

Local Share: Each LEA assumes program housing, utilities, use of equipment, some parent transportation, supervision form the Central Office Staff, any printing/postage above the allotted amount, and clerical services as needed. The LEA also assumes any other costs not covered by the state grant.

Extent of Participation: 4 local educational agencies.

Other Categorical Programs

In addition to the above categorical programs, the Constitution of Louisiana provides $90 million in revenue sharing funds, which are mostly distributed to school districts because of homestead exemption. The program is based upon the number of pupils per district and the funds are divided equally on a per pupil basis.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Funding in 1990-91: $20 million (1.0% of total state school aid)

Description: The state legislature has provided categorical funding for 4 areas involving nonpublic schools. Those areas are transportation, textbooks, school lunch salaries, and administrative costs.

XII. PREKINDERGARTEN EDUCATION

See Section VII — Early Childhood Education.

XIII. LOCAL SCHOOL REVENUE

Local school revenues are derived from sales taxes, property taxes, mineral income derived from 16th Section lands, and impact aid. In the 1989-90 school year, $1,053.5 million was generated.

Under the Louisiana Constitution, assessment ratios on all taxable property must be uniform throughout the state and must be valued at 100% of true cash value. Article VII, paragraph 18 of the Louisiana Constitution requires that land is taxable at 10% of assessed value, improvements for residential purposes at 10%, and all other property at 15%.

Louisiana, compared to the nation, scores well in overall assessment practices. The Louisiana Tax Commission oversees the tax roles of the 72 assessment jurisdictions. Although there may be special cases of under- or over-valuation of property, as a whole assessments are generally fair and equitable.

Equalization studies are undertaken regularly by the field staff of the Louisiana Tax Commission, and property is reassessed subject to call by the tax commission or every 4 years.

XIV. TAX AND SPENDING LIMITS

The state of Louisiana sets limits on aggregate tax rates that can be levied for school district purposes. By statute, Louisiana allows an aggregate of 70 mills to be placed on net taxable property in its jurisdiction. In addition to property tax, the state allows school districts to raise revenues from sales tax, by a vote of the people.

The 70 Mill Limit

If a district needs a higher tax rate than its allocated millage to operate its schools (and all Louisiana K-12 school districts except 1 do), it must go to the voters to approve that higher tax rate — usually referred to as the district's "voted millage." The aggregate tax rate — allocated and voted — for school districts cannot exceed 70 mills. However, these limits apply only to revenue raised for operations; taxes levied for debt retirement are exempted from this limitation.

Article VIII. Paragraph 13. Section C. Louisiana Constitution

First: Each parish school board, Orleans Parish excepted, and each municipality or city school board actually operating, maintaining, or supporting a separate system of public schools, shall levy annually an ad valorem maintenance tax not to exceed 5 mills on the dollar of assessed valuation on property subject to taxation within the parish or city, respectively. Second: The Orleans Parish School Board shall levy annually a tax not to exceed 13 mills on the dollar of assessed valuation of property within the city of New Orleans.

Voter Approval of Bond Issues

A local school board by resolution, and with a vote of the electorate, may issue bonds that — together with the district's outstanding bonded indebtedness — do not exceed 75% of the district's state equalized valuation. Any bond issue which requires additional pledges of either sales tax or property tax must be approved by the electorate. The Louisiana Bond Commission must approve any proposed bond issue, whether or not revenues to be voted on by the electorate are part of the issue.

Budget Deficits

Under Title 39 of the Revised Statutes of Louisiana, a local school district is prohibited from adopting or operating under a deficit budget. Additionally, a district is prohibited from incurring an operating deficit in a fund during a school year. A district which has an existing deficit or incurs a deficit must ask the legislative audit advisory committee for permission to issue bonds to cover such deficit and submit a deficit reduction plan to that committee. If the deficit reduction plan is approved, it is forwarded to the local and municipal affairs committee, who must also approve the plan before submitting it further to the Louisiana Bond Commission for approval to borrow funds to cover the deficit. Further, the Louisiana Bond Commission will not approve such deficit financing if the local school district has other unsupported debt liabilities.

XV. EARMARKED STATE REVENUE

No funding is set aside for school aid except for an 8(g) fund — an oil settlement trust fund — which was dedicated to education by the people and yields approximately $30 million to elementary and secondary education each year.

MAINE

Jim Watkins
Gary Leighton
Suzan Cameron
Maine Department of Education

I. GENERAL BACKGROUND

State

- In 1990-91, the state share of state and local revenues for education was 56.7%. During the 3-year period ending in 1990-91, the state share had increased slightly each year, beginning with 56.2% in 1988-89. In 1987-88, the year prior to this 3-year period, the state share was at a 6-year high of 57.4%.
- All state funds for education are appropriated from the General Fund. The largest revenue sources for the General Fund are the state income tax and the state sales tax. Most of these education funds are distributed to promote pupil and taxpayer equity, and corresponding local property tax revenues are required. There are 2 significant exceptions to these equalizing purposes: (1) the state pays for 100% of the employee retirement costs for every local school unit (except for federally funded teachers), and (2) local school units may raise additional local property tax revenues without state participation and subject only to approval of the unit's local legislative body.
- The current school funding statute was first implemented in the 1985-86 fiscal year. The general nature of the funding formula has not changed since 1978-79. In 1990-91, disbursement of the June 1991 subsidies was delayed until about July 7 of the following fiscal year as part of a plan to deal with a shortfall in state revenues. School unit's were allowed to establish an "accounts receivable" for their June subsidy payment.
- As of 1990-91, there are no pending court challenges. [Author's note: a court challenge is expected to be filed in late summer or early autumn of 1992.]

Local

- K-12 education is provided by 283 school administrative units. Of these, 197 of the local school units are organized as a part of a municipality government. These school units are fiscally dependent on the government of that municipality, but the school unit is generally independent of the municipality government for all other policy matters. The remaining 86 school units are organized to provide educational services to more than one municipality. These 86 local school units (known in Maine as "districts") are independent of the governments of these served municipalities, both fiscally and for other policy matters.
- Property tax is the only source of revenue for local governments.

Funding Summary, 1990-91

Total State School Aid (All Programs)[1]		$607 million
Grants in Aid	531 million	
Teacher Retirement Contributions	76 million	
FICA	0	
Total Local School Tax Revenue		498 million
Total Combined State & Local School Revenue		1,105 million
State Financed Property Tax Credits Attributable to School Taxes	0	

[1] Not included in this fiscal summary are (a) two block grant programs which distributed $4.2 million to municipality governments (rather than to school units) for the purpose of providing property tax relief from education mandate costs, and (b) lesser amounts for special purposes such as for innovative grants.

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $385.5 million (63.5% of total state school aid)

Nature of Program: Basic support is provided through a modified foundation funding formula known in Maine as "operating cost" subsidies.

Units: Pupils. Average membership for April 1st and October 1st of the most recent calendar year prior to the year of funding are used by the modified foundation formula.

Local Fiscal Capacity: Equalized assessed property valuation (real and personal).

How Formula Operates: The calculation of the combined state and local revenues to be made available (known in Maine as the "allocation for operating costs") is similar to calculations in the pure foundation funding formula, except that (a) separate pupil counts and per-pupil dollar amounts are used for elementary (pre-kindergarten and K-8) and for secondary (9-12) pupils, (b) these pupil counts are reduced by the number of pupils with an excessive number of absences, and (c) weighted counts of alternative education and homestudy pupils are also used, with the appropriate (elementary or secondary) per-pupil dollar amount.

In 1990-91, the elementary and secondary per-pupil dollar amounts were $2,982 and $4,213, respectively. The statutory formula for determining these amounts is (a) calculate the actual statewide per-pupil operating cost in 1988-89 (2 years prior to the 1990-91 funding year) for elementary and for secondary pupils, and (b) increase each of these per-pupil rates by a percentage which is the average of the 2 most recent percentages of annual statewide increase in operating costs.

State Share: For each school unit, the amount of state subsidies is the sum of:

1. a percentage of the operating cost allocation for that unit, described above, where the percentage is 100% less the school unit's local share percentage (described in the following paragraph), and
2. for eligible school units, additional "off formula" subsidies that are described later in Section II.

Local Share: For each school unit, the required local property tax contribution is the school unit's local share percentage of the combined state and local revenue amount for that unit, as described above.

Each school unit's local share percentage is calculated as the ratio of what its local share per-pupil amount would be to the total per-pupil amount, as determined by a "pure" foundation funding formula with parameters calculated as follows:

- The mill rate (known in Maine as the "operating cost mill rate") is set so that the state share percentage of all funding formula revenues is as prescribed by statute (which in 1990-91 was 56.76%). In 1990-91, the operating cost mill rate was 6.13 mills.
- The per-pupil cost (known in Maine as the "K-12 per-pupil foundation rate") is the estimated statewide per-pupil cost for all allowable K-12 costs for the fiscal year prior to the year of funding, increased by the average of the 2 most recent statewide annual percentages of increase in operating costs.

If this calculated percentage is greater than 100%, then it is reset to 100%.

Weighting by Grade Level: Maine does not explicitly employ a weighted pupil counting system. However, the effect of Maine's funding is as if separate weights were used for elementary (K-8) pupils and for secondary (9-12) pupils. This is accomplished by obtaining separate counts of elementary and secondary pupils, and using a different per-pupil cost for each group.

Adjustments for Special Factors: An additional subsidy amount is provided to local school units which are geographically isolated.

Districts Off Formula: Some school units receive "off the formula" subsidies of one or both of the following types:

- 30 school units receive "minimum subsidies" totaling about $853,000, or about 0.1% of the total state funds for education. The amount of each school unit's minimum subsidies is that amount which is required to bring the total of all educational subsidies up to a level calculated by multiplying the school unit's pupils times 5% of the state's "K-12 per-pupil foundation rate" (described above).
- 33 school units receive "Hold Harmless" subsidies totaling about $2.9 million, or about 0.5% of the total state funds for education. The amount of each school unit's minimum subsidies is that amount which is required so that the school unit's operating cost subsidy is at least 90% of the unit's operating cost subsidy during the prior funding year.

III. TRANSPORTATION

Funding in 1990-91: Subsidies are not provided for transportation costs as a distinct category. Instead, for each school unit an allocation amount is computed for each of the following categories (known in Maine as "programs"):

- transportation
- special education
- vocational education, and
- early childhood.

A state share portion of the sum of these program allocations is provided as subsidy to the school unit. In Maine, this subsidy is known as a "program cost" subsidy. In 1990-91, the total allocation for these 4 programs was about $171.1 million. About $106.1 million, or 60%, of this total allocation was provided by the state as program cost subsidies, and the remaining $65 million was provided by local school units with required local property tax revenues. These program cost subsidies represent about 17% of all state funds provided for education.

Description: For each school unit, the part of the total allocation for program costs that is attributable to transportation is calculated as the sum of:

1. the actual transportation operating costs for that unit during the "base year" (which is 2 years prior to the year of funding; the base year for 1990-91 funding is 1988-89); increased by a percentage which is the average of the 2 most recent percentages of annual statewide increase in transportation operating costs; and

2. the total cost of all bus purchases made by the school unit during the year prior to the year of funding and which were approved for purchase by the Commissioner of Education. (The statutory limit to the statewide total of these approved bus purchase costs is $5 million per year.)

State Share: There is no state share amount provided for transportation as a distinct program. Instead, for each school unit, a state share portion of the sum of the school unit's allocations for all programs (transportation, special education, vocational education, and early childhood) is calculated as this sum of the program allocations, less the local share portion that is described in the next sub-section.

Local Share: There is no local share of transportation costs as a distinct program. Instead, for each school unit, a local share portion of the sum of the school unit's allocations for all 4 programs (transportation, special education, vocational education, and early childhood) is calculated as the lesser of:

1. the product of (a) the sum of the school unit's allocations for all 4 programs, and (b) the school unit's local share percentage (which is calculated as described in Section II, in the sub-section entitled "Local Share"); and

2. a maximum local share amount for the school unit (known in Maine as the school unit's "program costs circuit breaker amount"), which is calculated by multiplying the equalized assessed value of taxable property in the school unit by a statewide mill rate (known in Maine as the "Program Costs" mill rate). [This "Program Costs" mill rate is calculated so that at least 60% of the statewide total of all of the school unit program allocations is provided by the state as program cost subsidies.

Extent of Participation: All school units who expended money for any of the "programs" participate in this "program costs" subsidy.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1990-91: Subsidies are not provided for capital outlay and debt service as a distinct category. Instead, for each school unit an allocation amount is computed for each of the following categories:

- principal and interest costs for state-approved school construction projects,
- approved leases, and
- insured value factor costs.

The sum of these amounts is referred to as the "Debt Service Allocation." A state share portion of this Debt Service Allocation is provided as subsidy to each school unit. In Maine, this subsidy is known as a "debt service" subsidy. In 1990-91, the total allocation for these 3 categories was about $59.1 million. About $41.6 million, or 70%, of this total allocation was provided by the State as debt service subsidies, and the remaining $17.5 million was provided by local school units with required local property tax revenues. These debt service subsidies represent about 6.9% of all state funds provided for education.

Description: For each school unit, the allocation for debt service costs is calculated as the sum of the following 3 amounts:

1. the actual principal-and-interest payments for state-approved school construction projects which will become payable during the year of funding by the school unit [In 1990-91, the statutory limit to the statewide total of these principal and interest amounts is $55 million];

2. the actual cost of all state-approved leases by the school unit during the year prior to the year of funding; and

3. the actual "Base Year" costs of all "insured value factor" additions to tuition payments to private schools. [The "insured value factor" addition to a tuition payment is intended to provide a private school with revenues for school construction projects.]

This total allocation does not include costs for capital outlay or for debt service payments for school construction projects which are not approved by the state. Neither of these costs are subsidizable costs.

State Share: For each school unit, a state share portion of the sum of the school unit's debt service allocations is calculated as this allocation, less the local share portion that is described in the next sub-section.

Local Share: For each school unit, a local share portion of the school unit's debt service allocation is calculated as the lesser of:

1. the product of (a) the sum of the school unit's debt service allocation, and (b) the school unit's local share percentage (which is calculated as described in Section II, in the sub-section entitled "Local Share"); and
2. a maximum local share amount for the school unit (known in Maine as the school unit's "debt service circuit breaker amount"), which is calculated by multiplying the equalized assessed value of taxable property in the school unit by a statewide mill rate (known in Maine as the "Debt Service" mill rate). [This "Debt Service" mill rate is calculated so that at least 55% of the statewide total of all of the school unit Debt Service allocations is provided by the state as Debt Service subsidies.

Extent of Participation: All school units which expended money for any of the 3 debt service categories participate in this "Debt Service" subsidy.

V. TEACHER RETIREMENT

Funding in 1990-91: $76.1 million (12.5% of total state school aid)

Description: In 1990-91, $76.1 million was provided by the state for 100% of the local school unit's employer share of retirement costs for teachers and other professional educators (except for federally funded staff). (The final state payment to the retirement system, totaling $13.5 million, was delayed until July of the following fiscal year, as part of a plan to deal with a shortfall in state revenues.) Individual contributions to the retirement system are approximately 23% of the employer contributions. State responsibilities for teacher retirement costs is specified in Title 5, MRSA, Section 17154, Sub-section 6(A).

State Share: 100% of employer costs are provided by the state.

Extent of Participation: All school units participate in this program.

VI. SPECIAL EDUCATION

Special Education Local and Tuition and Board

Funding in 1990-91: Subsidies for special education are provided as part of Maine's "program costs" subsidy. See the sub-section "Funding in 1990-91" in Section III (Transportation) for more information regarding program cost subsidies in Maine.

Description: For each school unit, the part of the total allocation for all program costs that are attributable to special education is calculated as the actual approved costs for special education staff salaries and benefits, contracts, and tuition and board charges to that school unit during the "base year" [which is 2 years prior to the year of funding; the base year for 1990-91 funding is 1988-89]; increased by a percentage which is the average of the 2 most recent percentages of annual statewide increase in such special education costs.

State Share: See the sub-section "State Share" in Section III (Transportation) for a discussion of the state share calculations for all program costs, including for special education.

Local Share: See the sub-section "Local Share" in Section III (Transportation) for a discussion of the local share calculations for all program costs, including for special education.

Extent of Participation: All school units who expended money for any of the "programs" participate in this "program costs" subsidy.

Other Special Education Programs: State Wards and State Agency Clients

Funding in 1990-91: $8.2 million (1.4% of total state school aid)

Description: State Wards and State Agency Clients are special education pupils whose educational placement is determined by the state. This program provides direct state special education financial assistance for wards of the state and for students who are placed as a result of some state agency involvement.

State Share: The state provides 100% of the educational costs for these pupils, including salary and benefit costs, contractual costs, and transportation costs.

Extent of Participation: Any public or private school who provides educational services for these pupils participates in this program.

Other Special Education Programs: Special Education Hardship

Funding in 1990-91: $0.3 million (less than 1.0% of total state school aid)

Description: Special education hardship funds are provided to school units which have experienced budgetary hardship caused by the unexpected costs of placement of special education pupils. School units must apply to be considered for these hardship funds. To be eligible, a school unit must have budgeted at least 5% of its total budget for special education purposes in order to be fully eligible. These funds are a loan and are recovered by the state during the second year following the year of the loan, by reducing the subsidies of affected school units.

State Share: The state provides 100% of these costs. However, if the statewide total of the requested and eligible hardship amounts exceeds the amount actually appropriated by the state, the available revenues are prorated among the receiving school units. In 1990-91, $0.298 was provided for each eligible $1.00.

Extent of Participation: Any school unit may apply for hardship funds and participates if the eligibility criteria are satisfied.

Other Special Education Programs: Out-of-District Placement Funds

Funding in 1990-91: $0.9 million (less than 1.0% of total state school aid)

Description: The out-of-district program provides assistance to a school unit which tuitions a special education pupil to another public or private school and for which the tuition and board costs exceeds 3 times the statewide secondary per-pupil cost which is used in the Basic Support Program described in Section II. For any school unit receiving these funds, their subsidizable special education costs are reduced by the amount of funds received.

State Share: The state provides 100% of these costs. However, if the statewide total of the eligible amounts exceeds the amount actually appropriated by the state, the available revenues are prorated among the receiving school units. In 1990-91, $0.20 was provided for each eligible $1.00 in placement costs.

Extent of Participation: All school units may apply for out-of-district funds.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

In Maine, Gifted and Talented Programs are subsidized as a special education, as described in Section VI.

IX. BILINGUAL EDUCATION

In Maine, Bilingual programs are subsidized as part of the Basic Support Program, as described in Section II.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: Subsidies for vocational education are provided as part of Maine's "program costs" subsidy. See the sub-section "Funding in 1990-91" in Section III (Transportation) for more information regarding program cost subsidies in Maine.

Description: For each school unit, the part of the total allocation for program costs that is attributable to vocational education is calculated as the actual vocational education costs for that unit during the "base year" [which is 2 years prior to the year of funding; the base year for 1990-91 funding is 1988-89]; increased by a percentage which is the average of the 2 most recent percentages of annual statewide increase in vocational education costs.

State Share: Information regarding the state share for vocational education (and all other "program" costs) is described in Section III (Transportation).

Local Share: Information regarding the local share for vocational education (and all other "program" costs) is described in Section III (Transportation).

Extent of Participation: All school units who expended money for any of the "programs" participate in this "program costs"

Early Childhood Education

Funding in 1990-91: Subsidies for early childhood education are provided as part of Maine's "program costs" subsidy. See the sub-section "Funding in 1990-91" in Section III (Transportation) for more information regarding program cost subsidies in Maine.

Description: For each school unit, the part of the total allocation for program costs that is attributable to early childhood education is calculated as the actual early childhood education costs for that unit during the "base year" [which is 2 years prior to the year of funding; the base year for 1990-91 funding is 1988-89]; increased by a percentage which is the average of the 2 most recent percentages of annual statewide increase in early childhood education costs.

State Share: Information regarding the state share for early childhood education (and all other "program" costs) is described in Section III (Transportation).

Local Share: Information regarding the local share for early childhood education (and all other "program" costs) is described in Section III (Transportation).

Extent of Participation: All school units who expended money for any of the "programs" participate in this "program costs"

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Funding in 1990-91: $0.2 million (less than 1.0% of total state school aid)

Description: Maine does not allow the direct subsidizing of private schools. However, state law allows a municipality to raise money to help pay for certain private school costs and receive a 50% reimbursement (or a prorated part) 2 years later. In addition, public schools that pay tuition to private schools get subsidy for these costs at their respective rates of state aid based on provisions of our school finance act.

State Share: The state share is limited to the amount appropriated for this purpose

Local Share: The local share is 50% of the reimbursable costs, plus whatever additional amount is not provided by the state because of prorating.

Extent of Participation: All municipalities are eligible.

XII. PREKINDERGARTEN EDUCATION

Funds for prekindergarten education (known in Maine as the "4-Year-Old Program") are provided as part of Maine's operating cost subsidy described in Section II.

XIII. LOCAL SCHOOL REVENUE

The property tax is the only tax used by local governments. In 1990-91, $497.6 million was raised in property tax revenues for K-12 education purposes. Property is assessed locally each year. The local assessment may be based on an on-site inspection or by applying an adjustment factor to the prior year's assessed value of each parcel. Periodically, assessments based on on-site inspections are necessary, in order to comply with state standards. The equalized value of property (100% of market value; known in Maine as "State valuation of property") is estimated annually by the state, based on the relationship between local assessed value and sale price for property which has been sold during a year. Property taxes are levied based on the local assessed property values, but the fiscal capacity of each school unit, as used by the school funding formula, is based on the state valuation of property.

XIV. TAX AND SPENDING LIMITS

In Maine, there are no state-imposed limits on spending or taxes.

XV. EARMARKED STATE REVENUE

Maine has no dedicated education funds.

MARYLAND

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I. GENERAL BACKGROUND

State

- The state share of state-local revenues for current expenses reached a high of 43% in 1986-87 and 1987-88. The Civiletti Commission in 1983 called for sustained increase in state-aid over the next 5 years. In 1987, Action Plan for Education Excellence (APEX) was enacted. As a result, the state share for most of the decade has remained at approximately the 43% level while in the prior decade the state share had been as low as 35%.
- State school funds are derived annually from state appropriations. About a quarter of state revenue comes from the income tax and about one-sixth from general sales tax. State funding for elementary and secondary education has been limited to 31.5% of general revenues since 1987. State funding for education has been between 28% and 29% of general fund revenues.
- Maryland provides a foundation funding program, intended to guarantee a set minimum or foundation level of per pupil expenditures to children in all school systems of the state through a combination of state aid and local revenue. For 1990-91, the per pupil foundation level set by statute is $2,352, of which the state provides 51.3%. The foundation level set is approximately 44% of the statewide average per-pupil expenditure of $5,736.
- The plight of Baltimore City and low spending rural counties continues to receive attention of both state officials and citizens' groups. Various proposals to assist low spending and low wealth subdivisions have been put forward but none have been enacted. There is the likelihood of a second attempt — this time lead by organized citizens — to seek redress in the State Courts if the 1992 legislature does not address the issue of more state funds to Baltimore City and poor rural counties.

Local

- In Maryland, the 24 school systems are fiscally dependent. Education is a function of the City of Baltimore and the 23 counties. In home rule counties, school boards are elected. Otherwise their members are appointed by the Governor. Cooperative agreements exist among the smaller counties for joint operation of special education programs and data processing.
- Financial support from local sources for the operation of public elementary and secondary schools is derived mainly from general fund revenues of the 24 political subdivisions. In addition to the property tax, all subdivisions can levy a surtax on the amount of the Maryland State income tax liability. Subdivisions can levy surtaxes of any percentage from 20% to 50%. Most subdivisions rely heavily on this source.
- Tax rates require the approval of the board of county commissioners for the counties and of the city council for the City of Baltimore. There is no provision for the approval of tax rates by the electorate. Several counties such

as Prince George's and Talbot have adopted local tax limitation laws on property taxes for all purposes. There are no state laws limiting tax rates for either current operation or debt service.

- Bonds for school construction typically are issues of the state and not the localities. County commissioners may issue bonds when so authorized by the state legislature.
- Tax levies are on the valuation of property, which is assessed under the supervision of the state. By action of the voters of the state, agricultural land is assessed at 25% of full value. The state seeks to value other property at 40% of full value. Only one-third of a county is assessed each year so that the 3 year assessment cycle permits assessments to lag market values.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$1,706 million
Grants in Aid	1,217 million	
Teacher Retirement Contributions	356 million	
FICA	133 million	
Total Local School Tax Revenue		2,647 million
Total Combined State and Local School Revenue		4,303 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Action Plan for Education Excellance

Funding in 1990-91: $795.9 million (46.7% of total state school aid)

Nature of Program: Foundation program, known generally as Basic Current Expense Aid, or since 1987 Action Plan for Education Excellence (APEX), (Education Article, Secs. 4-120 to 4-120.1, Secs. 5-202 to 5-204, Secs. 5-401 to 5-407).

Units: Pupils. Enrollment on September 30, 1989, of all pupils, both regular and special education, with Kindergarten enrollment counted at 0.5.

Local Fiscal Capacity: Net taxable income and equalized assessed property valuation.

Taxable capacity for a subdivision is the sum of net taxable income for 1988 and assessed valuation of property for July 1, 1989. Net taxable income is determined by using data on residents from state income tax returns. Assessed valuation of property, in addition to real property of the county, includes both real and public utility property assessed for state purposes and 50% of personal property assessed for county purposes.

How Formula Operates: By statute, APEX sets a per-pupil foundation level of $2,352 for 1990-91 and $2,550 for 1991-92. *In 1992-93 and subsequent years, the foundation level for each child will equal 75% of statewide average per-pupil expenditures in the third and fourth preceding year. For 1992-93, this is estimated to be $2,985.*

The total cost of the Apex program is determined by multiplying the foundation level of $2,352 per pupil in 1990-91 by the enrollment for September 30, 1989. The statewide local share of this total cost is determined by multiplying $1144.80 times the same enrollment. Each local subdivision's share of this total is the subdivision's percentage of the state total taxable capacity. The state's share for each subdivision is the total program for that subdivision minus the local share based on taxable capacity.

The $1,144.80 per-pupil local contribution for state average is the sum of 2 amounts: (1) $280.80 (45% of $624) and (2) $864, which is 50% of $1,728 ($2,352 - $624). Worcester County has a local share that exceeds its total program and is paid $60 per pupil as would any subdivision which did not otherwise participate in the APEX program.

State Share: The state payment for APEX is the sum of the state's share plus payments to counties for pupils crossing county lines to the closest school, and for foster care children. The state pays the difference if local cost in the receiving county is greater than the county of residence.

Local Share: The local share, as calculated above for the state and each subdivision, is used solely to determine state aid. A county, in order to be eligible to receive basic current expense aid, must maintain education spending at least equal to the prior year's per-pupil expenditure multiplied by the current year's full-time enrollment. Furthermore, since 1985, additional state aid received over the prior year for basic current expense was to be spent only for instructional purposes and teachers' salaries.

Weighting by Grade Level: Kindergarten weighted at 0.5.

Adjustments for Special Factors: $3.9 million of state aid for basic current expense aid is to be set aside annually for vocational education. The state reimburses counties for pupils attending school outside of the county where the pupil resides.

Districts Off Formula: 1 district

III. TRANSPORTATION

Funding in 1990-91: $132.6 million (7.8% of total state school aid)

Description: Each LEA receives the amount distributed in 1981-82, increased annually by the lesser of 8% or the change in the Consumer Price Index for private transportation in the Baltimore Area for the second preceding year. If the allocation received by the LEA exceeds its actual transportation costs, the LEA may apply funds to costs of pupil transportation in subsequent years. (Education Article Secs. 5-203 and 8-412) Of the total, $2.0 million is provided for transporting handicapped students on a formula based on $500 per handicapped student in need of special transportation in excess of the number transported in 1980-81.

State and Local Shares: There is no local share unless transportation expenditures exceed those of 1981-82. State share can exceed expenditures in a given year.

Extent of Participation: 24 districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

Funding in 1990-91: $66.1 million (3.9% of total state school aid)

Description: Since 1971, the state has funded school construction costs except for site acquisition. On average, the state provides 60% of the costs of approved projects and the localities 40%, with the actual share of an LEA depending on which of 4 wealth classes an LEA falls into. The poorest LEAs have a local share of 25%, the wealthiest, 50%. The intermediate groups share 35% and 45% as the local portion. The Interagency Committee approves projects based on annual submissions by local education agencies of master plans for school construction (Education Article, Sec. 5-403).

Extent of Participation: 9 districts

Debt Service

Funding in 1990-91: $6.4 million (less than 1.0% of total state school aid)

Description: In 1971, when a fully funded public school construction program was established, the state assumed responsibility for repayment of all local debt service obligations on local public school construction bonds issued prior to June 30, 1967. The program will terminate after 1997-98 when all remaining 30-year bonds are paid off. The state pays 100% of local obligation. In 1979-80, only one LEA did not participate. By 1984-85, 5 more LEAs received nothing (Education Article, Sec. 5-301).

Extent of Participation: 8 districts

V. TEACHER RETIREMENT

Funding in 1990-91:	Retirement $356.1 million (20.9% of total state school aid)
	FICA $132.5 million (7.8% of total state school aid)

Description: The state payments go directly to the Retirement System on behalf of the LEAs (Article 738, Secs. 81-103 and 140-156), and to the Social Security Administration on behalf of the LEAs (Education Article, Sec. 5-202(d)).

The State Teacher Retirement System was established in 1924 and the state paid all costs except for employee contributions. Employee contributions were designed to provide one-half of the defined benefit provided at retirement. The original plan had contribution rates based on sex and age when one entered the plan. Membership in the system was compulsory until 1980.

Today, teachers can opt to contribute the percentage of their salary required by the old sex-age contribution rates, or 5% or 7.5%. Those teachers who chose the 7.5% rate have their benefits increase annually with the change in the Consumer Price Index without any limit. Those opting for the 5% rate or the old sex-age contribution rate have the annual increase in their retirement benefits limited to a cap of 3% of the initial benefit payment. Lately, this contribution has been taken before calculation of Federal Income Tax liability.

Since 1980, in addition to State Teacher Retirement System, a State Teacher Pension System exists. No contribution by employees is required until income exceeds the Social Security Wage Base. This plan provides a defined benefit integrated with Social Security payments.

In 1956, teachers elected to join Social Security and the state paid the entire employer share. Since 1980, the state's payment of Social Security has been limited to 6.13% of salary for those local school employees who are members of the state systems.

State and Local Shares: Localities provide about 11% of the employers' share of retirement funds and 36% of employers' share of Social Security funds.

Extent of Participation: 24 districts

VI. SPECIAL EDUCATION

Funding in 1990-91: $120.3 million (7.1% of total state school aid)

Description: There are 4 separate programs for special education (Education Article Secs. 8-40 and 8-416).

The first program, established in 1978-79, provides support for the LEA operation of special education programs and has a state share of $70 million and a local share of $30 million. An additional $11.3 million has been provided by the state for this program since 1987-88.

The second program is the funding of non-public school placements. The third program provides funds for the day care centers formerly funded by Mental Retardation Administration and their full cost is provided to local governments. Since 1987-88, a fourth program provides funds to assist "returnees." that is handicapped children placed out-of-state and returned to Maryland. A purpose of these funds is to lessen future out-of-state placements. (See Transportation for special education transportation funds.)

State Share: For the $81.3 million in the first program, the state share is fixed at this total statewide. For $70 million the state share by LEA is fixed at the amount provided in 1980-81. For the remaining $11.3, the state share by LEA is determined by wealth per student and total enrollment of special education. For non-public placements, the state pays any costs above the local share. The local share is equal to no more than three times the basic cost of educating a non-handicapped student.

Local Share: Under the first program the local share is all expenditures above the state payment of $81.3 million. For non-public school placements, the local share is limited and the state pays all costs above local share.

Extent of Participation: 24 districts

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $62.7 million (3.7% of total state school aid)

Description: The statewide total for Compensatory Education (Education Article, Secs. 5-202, 8-101 - 8-107) is determined by multiplying the number of Chapter I eligible pupils by $588 (25% of the basic aid level of $2,352).

The statewide average amount provided per Chapter I eligible pupil as determined by the reduction factor, 0.7191563 in 1990-91, is $422.86 with state-provided amounts per Chapter I eligible pupil ranging from $843.97 in the least wealthy LEA to $207.54 in the wealthiest LEA.

The amount provided each LEA is determined by first multiplying $588 by the number of Chapter I eligible pupils in the LEA. This product is then divided by the wealth ratio used in aid calculation for the APEX program to obtain what an LEA would receive if there were no cap on available state funds. The reducing factor is the state appropriation divided by the state sum of the LEA no-appropriation cap amounts.

All compensatory funds must be used for instructional programs. Only a portion of the funds are dedicated for disadvantaged pupils. The dedicated portion is equal to $70 per Chapter I eligible pupil in the prior fiscal year plus 25% of any increase in compensatory aid over 1985 fiscal year level. This provision reflects the fact that prior to 1985 the program was a flat grant per Chapter I eligible child and not an amount inversely related to wealth of the LEA. This provision also reflects the fact that poorer LEAs with either a large number of Chapter I eligible pupils or a large percentage of all students as Chapter I eligible pupils might want to use the funds to improve the instructional program for all students.

State and Local Shares: The state pays to the extent of the appropriation for the program. Districts pay costs in excess of state and Federal aid

Extent of Participation: 24 districts

VIII. GIFTED AND TALENTED EDUCATION

This program provides less than $1.0 million to 13 LEAs.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Funding in 1990-91: $13.1 million (less than 1.0% of total state school aid)

Description: Innovative Programs include Project Basic, Rural School Enhancement, Rural School Nurses, Outward Bound, Principal Assessment, Magnet Schools, and Math/Science Initiatives. Of the $13.1 million, $11.0 million goes to one county for Magnet Schools, used as a means to achieve court-imposed integration rules. Math/Science Initiatives include 3 programs; one for purchase of scientific equipment; a second for 2 counties to make improvements in their Gifted and Talented Education Program; and the third for subdivisions to make instructional improvements in math/science area. (Annual Budget Bill is the only legal reference for these programs of short duration or for specific counties.)

State and Local Shares: The state pays to the extent of the appropriation for the program. Districts pay any costs beyond the state appropriation for operation.

Extent of Participation: 21 districts

Children-At-Risk

Funding in 1990-91: $2.5 million (less than 1.0% of total state school aid)

Description: Funds are distributed to address problems of children-at-risk in three areas: Suicide Prevention, Teen Pregnancy, and Child Abuse. The Maryland Tomorrow Program provides $3.0 million for drop-out prevention. (Annual Budget Bill)

State and Local Shares: The state pays to the extent of the appropriation for the program. No local share is required.

Extent of Participation: 24 districts

Food Services

Funding in 1990-91: $6.6 million (less than 1.0% of total state school aid)

Description: For eligible children based on family income, family size, and participation in social services or welfare programs, the state provides all the funds not federally provided for free and subsidized breakfasts and lunches. State reimbursement in 1990-91 for free breakfasts and free lunches, on the average, is 16 cents and 23 cents respectively; and for subsidized breakfasts and subsidized lunches, on the average, 36 cents and 43 cents. The high state rate for subsidized meals arises because federal funding is higher for the free-meal program. All public schools must provide the program, but elementary schools can be excused from the breakfast program when the participation rate for the past 3 months is less than 25% of the eligible students (Education Article, Secs. 501-5A-03).

State and Local Shares: To the amount appropriated, 100% of non-federal funds. No local share is required.

Extent of Participation: 24 districts

Community Centers

Funding in 1990-91: $1.2 million (less than 1.0% of total state school aid)

Description: Community Center funds are provided to utilize school buildings during evenings and weekends to provide youth and adults with supplementary education and leisure programs. There are 635 centers statewide (Annual Budget Bill).

State and Local Shares: The state and local shares are the same as shares in Basic Current Expense Program.

Extent of Participation: 24 districts

Driver Education

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: The State Motor Vehicle Administration pays, from fees received from new driver's licenses, $65 per student for every student taking either a private course or a course in schools. Private driving schools are paid directly. Funds to the public schools come through the State Department of Education. Slightly more than a third of the funds paid by the state goes to public schools (Transportation Article, Title 16, Subtitle 5, and Education Article, Secs. 7-412 and 7-412.1).

State and Local Shares: The state pays a fixed amount per student. If local expenditures are higher, they can charge a fee or absorb costs. If local expenditures are lower, state funds can be used elsewhere.

Extent of Participation: 22 districts

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $9.0 million (0.5% of State Aid Funds but not included in total)
(40% of funds go to Baltimore City LEA)

Description: Since 1980, the state has provided funds for a public school prekindergarten program for 4-year-old children identified as having a high potential for failure in school. It is estimated that 5,260 students were served in 1990-91.

Funds are distributed to schools where achievement levels are low. Based on available data, the State Department of Education from the data determines which students and schools receive funds.

(Note: There is no legal citation other than Annual Budget Bill.)

State and Local Shares: The state pays the amount approved. School districts pay costs not covered by state aid.

Extent of Participation: 23 districts

XIII. LOCAL SCHOOL REVENUE

Each LEA is fiscally dependent upon the government unit in which it is located. There is a single school district in each of the 23 counties and the City of Baltimore. All school funds are thus local appropriations. Statewide, schools account for slightly less than 50% of all local appropriations with most subdivisions using more than 40% of local funds for schools. In Baltimore City, schools account for less than a quarter of local funds raised. In Worcester County with a larger summer resort population, schools receive about a third of local appropriations.

Local governments derive their tax revenues from 2 primary sources — the property tax and the income tax. Property taxes account for 27 cents of the local government revenue dollar; grants-in-aid account for 25 cents; income taxes, 15 cents; service charges, 10 cents; federal grants, 8 cents; other local taxes, 6 cents; state-shared taxes, 4 cents.

The rate for the local income tax on state income tax liability must be between 20% and 50% in 5% intervals. Of the amount so collected by the local government, 8.5% must be shared with municipalities and special taxing districts. All counties except one and the City of Baltimore levy the maximum rate of 50%. Five years ago only 19 of 24 subdivisions levied the maximum rate.

The State Department of Assessments and Taxation values one-third of all real property on a physical inspection prior to the January 1st date for valuation. Any increase in full cash value (market value) is phased in over the next 3 years. The assessment for each taxable year is 40% of the phased-in full cash value beginning January 1992. State assessments of real property are generally near the percentage set by law. The phasing-in tries to adjust for sudden fluctuation in value.

XIV. TAX AND SPENDING LIMITS

Although some local governments have self-imposed property tax limitations, the state does not limit the amount of property tax a local government may levy. Other local taxes when authorized by the state are usually subject to limitations set forth in state law. Total state aid for elementary and secondary education cannot exceed 31.5% of state general revenues.

XV. EARMARKED STATE REVENUE

None for schools. New driver's license fee for driver education.

MASSACHUSETTS

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I. GENERAL BACKGROUND

State

- The state share of educational funding has declined sharply during the past several years, falling from a high of 46.7% in 1987, to a low of 25% at the beginning of the 1991 school year. Prior to the record high in 1987, state monies for education generally fell into the 35-38% range, then annually increased during the early 1980s. This was in direct response to Proposition 2-1/2, a property-tax-limiting statute that was passed in 1980. During the middle 1980s, the state, while enjoying a surplus in state revenues, increased local aid to communities to assist in offsetting the effect of Proposition 2-1/2.

- State funds for education come from the State General Fund and are distributed to the towns and cities in the form of local aid. There is no earmarking of general state aid for education; education money allocated under the state educational funding formula, Chapter 70, is combined with other state monies and distributed to the cities and towns as local aid. Since school committees are fiscally dependent upon the cities or towns, individual town meetings or city councils decide whether or not Chapter 70 monies are spent entirely for education. The total grant of state money under Chapter 70 for the 1989-90 school year was a little over $1 billion. Continued decline in the amount of state aid for education is apparent: the amount of Chapter 70 aid distributed in FY 1991 was $968.4 million.

- In addition to Chapter 70 monies, the state funds 10 other categorical programs. In FY 1990, there were 36 categorical programs. Many of the programs were terminated or consolidated into larger programs for FY 1991. State funds for these programs amounted to $749.1 million in FY 1990. Funds for these programs declined to $482.4 million in FY 1991.

- Prior to FY 1985, Massachusetts used a percentage-equalizing plan to distribute aid to schools. This aid was known as the Chapter 70 aid. In 1985, the legislature amended the Chapter 70 formula so that proration of funds no longer depended upon a local support percentage. Instead, funds were allocated in accordance with the amount of school aid appropriated each year. A new "Needs Based Formula" was introduced, through which local aid (of which Chapter 70 funds are a part) was distributed. (This "Needs Based Formula" is explained in Section II — The Basic Support Program.)

- In 1991, a program adversely affecting school funding was passed by the state. The "School Choice Plan" (Mass. G.L. Chapter 76, Sec. 12B, as amended by St. 1991, c. 6, 23 and 85, St. 1991, c. 138, 304 and line item #0610-1500 and St. 1991, C. 145, 14) provided that students in any district could attend school in any other district, as long as the receiving district is amenable to accepting the out-of-district student. The sending district is held responsible for paying the cost of educating the student in the receiving district. The amount of funding necessary for paying for the student's expenditures is deducted from the sending district's Chapter 70 aid. Since September 1991, 25 districts have agreed to become receiving districts, and 735 students have chosen to attend school in one of these neighboring districts. For the sending districts, this figure represents a combined loss of revenue of $3.96 million. In most cases, the sending district is poor and the receiving district is wealthy. *In January 1992, state funds were made available to particularly stressed districts to assist in offsetting the loss in state aid. The* *legislature amended the school choice program for the 1993 fiscal year. These changes are: (1) the receiving school receives 75% of its cost per-pupil, not to exceed $5,000; (2) the sending district is reimbursed 50% of its costs of school choice, or 75% if the sending district loses 2% or more of its school budget; and (3) transportation is paid by the state on a needs basis for students who are eligible for free or reduced priced lunch.*

- The significant decreases in state aid, coupled with the property-tax limitations of Proposition 2 1/2 and the increasingly wide disparities in property wealth among school districts, propelled 16 school districts to seek redress through the courts. On October 9, 1991, the lawsuit *McDuffy* v. *Robertson* (previously *Murdoch* v. *Weld*) was filed in the Massachusetts Supreme Judicial Court. This case is a continuance of an older case, *Webby* v. *Dukakis*, filed in 1978 and then later shelved when the legislature amended the original Chapter 70 Act and subsequently enacted Chapter 188, the Public School Improvement Act, in 1985.
- In September 1991, a commission headed by Rep. Mark Roosevelt, Chair of the House Education Committee, was formed to develop legislation for implementing educational reform. Among the items under consideration are: a new method for funding education, the abolishment of tenure, early childhood education for all children in the state, private sector involvement, site-based management, and school choice.
- On October 24, 1991, Governor Weld unveiled his plans for educational reform in Massachusetts, calling upon the business community to become a major force in education in the state. At this point, it is unclear exactly which plan for educational reform, if any, will be implemented by the Legislature.
- *In 1992, the legislature passed, over the Governor's veto, $186 million earmarked for public schools. These monies provide: (1) $100 per student for every school district; (2) an increase in Equal Educational Opportunity Grants to poor districts, if it maintains its current level of spending for the 1992-93 year.*

Local

- There are 361 local education agencies (LEAs) in the Commonwealth of Massachusetts, of which 55 are academic regional school districts, 26 are vocational regional school districts, 3 are independent vocational schools, and 3 are county agricultural schools.
- Property taxes constitute the major local basis of support for public schools. Other fees, i.e., user fees and licenses, and the vehicles excise taxes also contribute funds, but the property tax provides most of the money. Any property tax increase requires voter approval.
- There is a legal limitation on the amount property taxes can be raised. This limitation, known as Proposition 2 1/2, was passed in 1980 and greatly affected monies for school (see Section XIV—Tax and Spending Limitations).

Funding Summary, 1990-91

Total State School Aid (All Programs)		$1,765 million
Grants in Aid	1,472 million	
Teacher Retirement Contributions	293 million	
FICA	0	
Total Local School Tax Revenues		2,792 million
Total Combined State and Local School Revenue		4,557 million
State Financed Property Tax Credits		
Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $ 968.4 million (54.9% of total state school aid)

Nature of Program: The actual school aid plan written into state law is a percentage-equalizing plan, known as Chapter 70 school aid [Chapter 70, sec. 1-11, 1978]. Since 1985, however, the state has not used the Chapter 70 formula for allocating educational funding to school districts. Since educational funds are not earmarked for education, but rather are distributed to the cities and towns as part of local aid, the state, in 1985, developed a Needs Based Formula for determining precisely how much local aid each municipality should receive. Money is distributed under the mantle of Chapter 70, but the amount of funding a municipality will receive has already been determined by the Needs Based Formula.

The Needs-Based formula is still on the books, but since FY 1990 this formula has not been used due to annual reductions in overall aid. In FY 1990, aid was reduced by withholding $210 million. This reduction was meted out on a per-capita basis. However, in *Brookline* v. *the Commonwealth of Massachusetts* (1990), Massachusetts Supreme Judicial Court ruled that the Governor had no authority to withhold the funding and ordered it be restored to towns. In FY 1991, aid was reduced again by 4.0%, or $71 million from its FY 1990 level.

Units: Pupils. Full-time equivalent.

***Local Fiscal Capacity*:** Equalized assessed property valuation.

***How Formula Operates*:** There are 2 successive operations that must be taken into account when describing the distribution of state aid for education in Massachusetts. The Chapter 70 formula is used for distributing school aid only after a "Needs Based Formula" has been used to determine how much total state aid a municipality should receive.

The state first determines the impact of several "environmental" factors upon individual communities. These factors are:

- weighted FTE students
- population density
- local road mileage
- manufacturing employment
- non-manufacturing employment
- percent of persons in poverty
- percent of housing built before 1940
- service level group

Environmental factors are uncontrollable factors that influence the costs of a municipalities' services; they affect the level of spending, but are factors the municipality cannot control, e.g., the number of students. The relative importance assigned to each of the factors in the formula was calculated by running a statistical analysis that assigned weights to these factors (Source: Massachusetts Department of Revenue). The formula used previous year's data.

Revenue or fiscal capacity of each municipality is then calculated based upon the following factors:

- levy limit
- income per-capita
- local reserves available
- state aid
- hotel/motel tax capacity
- motor vehicle excise tax

Except for local reserves available, previous year's data was used in calculating each of the factors; local reserves available is based on a 3 year average of the percentage of each municipality's spending from free cash (Source: Massachusetts Department of Revenue).

A district's local need is then equal to the costs of the environmental factors minus the municipality's revenues.

A Statewide "Need" total is determined by multiplying each municipality's per-capita need figure by its population and totaling the need amounts for all municipalities. The total amount of state aid available for education (known as new aid) is then divided by the total statewide need figure. This new figure is called the "covered need" which is the percentage of the calculated statewide need that can be met by the new aid. Covered need is then multiplied by each municipality's need figure and then divided by the municipality's population to derive a per-capita need figure. Each community, therefore, receives the same percentage of its calculated need.

The covered need per-capita figure for each municipality is then compared to what is termed the "floor." The floor is the greatest of 3 numbers: a minimum aid guarantee, which is lower for "zero-need" communities; a minimum aid guarantee, which is higher for all other communities; or a figure that represents 50% of the new aid monies received by the municipality for the previous fiscal year. Every municipality receives the highest of these 3 comparisons, but cannot receive more than 150% of the previous year's new aid per-capita.

Once the amount of new aid has been determined for each community, the amount of that aid to be distributed under Chapter 70 is determined. This is done by choosing a percentage of the new aid to be added to the previous year's Chapter 70 appropriation. Generally, the percent chosen by the state is 45%, because that represents the average percentage of a municipality's budget that is allocated towards education. The Chapter 70 formula is then used to determine the amount of monies each municipality should receive.

The formula is:

$$(1 - \text{Local Support Percentage}) \times \begin{array}{c}\text{Sum of}\\ \text{weighted}\\ \text{FTE pupils}\end{array} \times \begin{array}{l}\text{Statewide current operating}\\ \text{expenditures per pupil in}\\ \text{regular day program}\end{array}$$

The Local Support Percentage is a constant determined by the legislature. It is the percentage of the education costs to be borne by the municipalities. Statewide current operating expenditures per pupil in regular day programs is calculated by taking the statewide average.

State Share: After the amount of money each district should receive under Chapter 70 is determined, that amount of Chapter 70 aid is then compared with the total amount of aid allocated to each municipality under the Needs Based Formula. If the total Needs Based Formula amount exceeds the municipality's Chapter 70 amount, then the municipality receives its Chapter 70 money labeled as Chapter 70 money, and the remaining allocation as "Additional Assistance." If the total amount of aid, as derived by the Needs Based Formula, is equal to or less than the municipality's Chapter 70 allocation, then the municipality receives its Chapter 70 money but no Additional Assistance.

Weighting by Grade Level: The pupil weights used in the Chapter 70 formula are:

Regular day program	1.0
Transitional bilingual program	1.4
Special needs program	4.0
Vocational education program	2.0
Each pupil whose family income is below the poverty level, as determined by the Department of Education in accordance with regulations issued under Chapter 1 consolidation and improvement of the Federal Education Act, is counted as 1 FTE pupil in whatever program or programs they are enrolled *plus* an additional FTE pupil with pupil weight of	0.2

Adjustments for Special Factors: None

Districts Off Formula: None

III. TRANSPORTATION

Funding in 1990-91: $84.6 million (4.8% of total state school aid).

Description: There are 2 kinds of state aid programs for transportation. The first is for Regional School Districts, in which these districts are reimbursed 100% of the cost of school transportation (Chapter 74, Sec. 8A). The costs incurred are for students being transported who live at least 1.5 miles from school. In 1990-91, the total amount of money allocated for regional school transportation was $28.3 million.

The second state aid program for school transportation assists school districts that are not regionalized. There are 5 different funding programs which provide monies for non-regionalized transportation.

1. Under Chapter 71, Sec. 7A, school districts are reimbursed a certain percentage of the cost of the previous year's expenses for transportation. In the past, this has amounted to $5 per public and private student in town.
2. Chapter 71, Sec. 37D, reimburses 100% for students transported to alleviate racial isolation. There is no mileage limitation.
3. Chapter 71, Sec. 7B, reimburses the cost of transportation for those students who use public transportation. Aid is the least of: the direct cost of transportation, the indirect cost of maintaining a public transportation service, or 20 cents a day per rider. Students must live 1.5 miles from school. Payment is made during the following year.
4. Chapter 71A, Sec. 8, Chapter 71B, Sec. 14, outlines reimbursement for bilingual and special needs students. Districts are reimbursed for the prior year's expenses by calculating the local cost for a regular rider, plus the difference between that cost and the special needs or bilingual student's cost. This difference cannot exceed 110% of the state average difference.
5. This transportation program provides funds for transporting students to occupational programs outside their school districts. Districts are reimbursed 50% of the cost, or 100% if it is a town with a population less than 2,000.

In 1990-91, the total amount of non-regional transportation aid provided by the state was $56.2 million.

As of 1991-92, local communities are responsible for all transportation costs except for busing to achieve racial desegregation. As a result of the elimination of transportation aid, many districts have eliminated transportation for all children except those which live 1.5 miles or more from school, which is state law. In order to provide transportation to parents who want it, districts have instituted payment programs.

Extent of Participation: 361 LEAs

IV. CAPITAL OUTLAY AND DEBT SERVICE

School Building Assistance

Funding in 1990-91: $130.3 million (7.4% of total state school aid).

Description: Aid for construction of new facilities is provided on a percentage equalizing basis. The approved costs are multiplied by a percent factor between 50% and 90%. In the case of a regional school district, each member town's percentage is calculated individually depending upon its proportion of students attending the regionalized district. Every town has a particular percentage which is listed in Chapter 746 of the Acts of 1987.

Any district which wishes to construct a facility that will alleviate racial isolation receives 90% reimbursement for costs incurred.

Extent of Participation: A district must get on the list of approved plans for building construction, so the number of LEAs participating varies in any given year.

V. TEACHER RETIREMENT

Funding in 1990-91: $269 million (15.5% of total state school aid)

Description: All teachers are members of the Teacher's Retirement Fund (TRF). Teacher's pay either 5%, 7%, or 8% of their salary depending on when they entered teaching service; newer teachers pay less. In FY 1988, legislation was passed that required teachers entering service after 1979 and who make more than $30,000 to pay an additional 2% of their salary towards retirement on that portion of salary greater than $30,000. The Teacher Retirement Board determines the amount of money necessary each fiscal year needed to fund the TRF.

State and Local Shares: The state pays that portion of total retirement costs that are not covered by teacher contributions. Generally, state contributions account for 90% or greater of total retirement costs each year. Local districts do not contribute toward teacher retirement.

Retired Teachers Pension

Funding in 1990-91: $23.7 million (1.3% of total state school aid).

Description: This funding is provided under Chapter 32, Sec. 20 (2) (c), and funds teacher pensions for retired teachers of the Boston School District. Boston is the only district in the state that is not a member in the State Teachers Retirement System.

VI. SPECIAL EDUCATION

Chapter 70 funding includes a weighting category for Special education (see Section II).

VII. COMPENSATORY EDUCATION

Chapter 70 funding includes a weighting category for Compensatory education (see Section II).

VIII. GIFTED AND TALENTED

None.

IX. BILINGUAL EDUCATION

Chapter 70 funding includes a weighting category for Bilingual education (see Section II).

X. OTHER CATEGORICAL PROGRAMS

Regional School Aid

Funding in 1990-91: $98.4 million (5.6% of total state school aid).

Description: Regional school districts are reimbursed for a percentage of instruction, tuition and administrative costs (Chapter 71, Sec. 16D). This is a bonus program. Rate of reimbursement is determined by the following formula:

$$(1.00 - .65) \quad \times \quad \frac{\text{equalized val. per school attending child-local}}{\text{equalized val. per school attending child-state}}$$

$$\times\ .50 \text{ for partial regions}$$

$$\times\ .70 \text{ for full regions}$$

The product derived from this calculation must be 7.5% for a partial region and 10.5% for a full region. Districts are paid during the second year after the year in which the expenses were incurred.

Extent of Participation: 81 LEAs

Racial Equality

Funding in 1990-91: $24.4 million (1.4% of total state school aid).

Description: Formerly 3 separate programs: 1) Racial Imbalance, chapter 76, Sec. 12A; 2) Magnet Education, Chapter 71, Sec. 37I and 37J; and 3) Equal Education Improvement, Chapter 15, Sec.1I. These 3 programs were combined for funding purposes.

The first program, Racial Imbalance, funds current year's local expenses of projects approved by the Board of Education for reducing racial imbalance. This program applies to certain schools surrounding Boston and Springfield.

The second program, Magnet Education, funds current year's expenses for programs which draw racially isolated students to other magnet schools.

The third program, Equal Education Improvement, provides monies to districts that transport students to achieve racial balance.

State Share: The state pays the full cost of these programs.

Extent of Participation: 55 LEAS

School Lunch Program

Funding in 1990-91: $6.2 million (less than 1.0% of total state school aid)

Description: The school lunch monies represent a consolidation of two programs: (a) school lunch (Chapter 871 of the Acts of 1970), and (b) elderly lunch (Chapter 15, Sec. 1L). Districts are reimbursed for part of the cost of school lunches. The reimbursement is the required amount of 30% of the 1981-82 federal contribution for approved school lunches. Reimbursement for elderly lunches amounts to the difference between the actual cost of the lunches and the cost borne by the diner.

Extent of Participation: 348 LEAs

Equal Educational Opportunity Grants

Funding in 1990-91: $105.5 million (6.0% of total state aid).

Description: These grants are provided to districts in the state that spend less than 85% of the statewide average per-pupil expenditure. Funded through Chapter 70A, the state pays one-sixth of the difference between what the district actually pays and the amount needed to reach 85% of the statewide average per-pupil expenditure. In order to continue receiving this support, districts must maintain their current local spending levels and match any increase in the grant that occurs each year. Originally hailed as effective equalizing grants, these funds have declined due to the state's fiscal problems. Consequently, districts are losing these grants because they are unable to maintain local spending levels, since local aid from the state has been drastically cut, and voters are unwilling to vote in extra property tax revenues for the schools.

Extent of Participation: 159 LEAs

School Improvement Council

Funding in 1990-91: $1.5 million (less than 1.0% of total state school aid)

Description: Grants are provided to school districts under Chapter 15, Sec. 51, to assist in organizing administrative councils comprised of administrators, staff, and parents. Ten dollars is provided per student in grades K-12 to any school that forms a council. The council must be comprised of the school principal, 3 teachers, 2 parents of children attending the school, and 1 person who is not such a parent.

Extent of Participation: 358 LEAs

Horace Mann Teachers

Funding in 1990-91: $476.8 thousand (less than 1.0% of total state school aid)

Description: Funding for this program under Chapter 15, Sec. 1G, provides individual teacher grants to specific teachers for additional responsibilities they agree to carry. Such responsibilities are in the areas of curriculum development, training, or dropout prevention programs. Horace Mann grants are provided in amounts up to $2,500, however, during the last several years, these grants have shrunk considerably in size of award. Although most school districts have teachers who apply for Horace Mann Grants, the individual amounts are extremely small.

Extent of Participation: 358 LEAs

Tuition for State Wards

Funding in 1990-91: $6.7 million (less than 1.0% of total state school aid)

Description: Tuition for students who are wards of the state is provided for by Chapter 76, Sec. 7 and 8. Full reimbursement is provided to districts for the prior year's expenditure for children under the control of the Department of Social Services and who are residing in that district. Such children must live in group or foster homes in a district and must attend public school in that district. The district must be one other than the one in which their natural parents reside.

Extent of Participation: 267 LEAs

Special Needs Recreation

Funding in 1990-91: $72 thousand (less than 1.0% of total state school aid)

Description: This program funded under Chapter 71B, Sec. 11, reimburses half the prior year's expenditures for approved recreational programs for students with special needs.

Extent of Participation: 51 LEAs

Small Town School Aid

Funding in 1990-91: $630 thousand (less than 1.0% of total state school aid)

Description: This funding represents a new program that was first added during FY 1991. It provides assistance to towns with a population under 2,000, and whose FY 1990 assessments for regional school district membership were in excess of 60% of their levy. Eighteen towns qualified for small town school aid.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

None.

XIII. LOCAL SCHOOL REVENUE

Property taxes constitute the major local source of support for public schools. Other fees, such as user fees and licenses, and vehicle excise tax are also a source funds. Any property tax increase requires voter approval. See section XIV.

XIV. TAX AND SPENDING LIMITS

There is a legal limitation on the amount property taxes can be raised. This limitation, known as Proposition 2 1/2, was passed in 1980. Proposition 2 1/2 mandates that no community can levy more than 2.5% of the total cash value of taxable property in the community; and that the levy can only increase by 2.5% each year, unless new growth has occurred in the community. If a community's government wishes to increase the levy more than 2.5%, then an override vote must be held. A majority of voters must approve the measure for an override to pass. Prior to Proposition 2 1/2, school committees were fiscally independent, and local property taxes were raised in accordance with school budget needs.

During the "boom" years of the 1980s, the state assumed a larger role in providing aid to districts, and the need for overrides to raise property taxes was not as great. However, since 1988, the state has been faced with huge revenue shortfalls, forcing it to pull back on its support to local communities. Faced with substantial decreases in state funds for education, school committees have sought local support through overrides. However, most attempts to secure additional local funding through overrides have been unsuccessful due to voter perception of tax overburden.

XV. EARMARKED STATE REVENUE

Communities are allocated monies from the state lottery, and these monies can be used to fund education, if the local community wishes. Funds from the lottery are distributed to municipalities by an "equalizing" formula based on local equalized valuations per-capita compared to the state average, and population. Since FY 1990, there has been a cap of $306 million on the amount of lottery monies for distribution. How much of that money was used to fund education is unknown, since each municipality makes an individual decision regarding lottery funds usage.

MICHIGAN

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I. GENERAL BACKGROUND

State

- The state share of general fund revenues for public schools has decreased rather steadily in recent years, falling from a high of 40% in 1971-72 to a low of 27% in 1981-82. 1982-83 marked a modest turn around; by 1988-89 the state's share had risen to 30%. (The state percentage actually is higher than this figure and the local percentage lower if adjustments are made to reflect (a) refunds to local property tax payers through the "circuit breaker" program; and (b) the state's contributions to the Teachers Retirement Fund and local school district FICA payments. When considered in combination, these 3 payments raised the State's share to 46.7%.)

- State funds for the public schools come from several sources and are deposited in the School Aid Fund. The major source is the state sales tax. Under the Michigan Constitution, 60% of the net revenue of the sales tax is constitutionally earmarked for the School Aid Fund. In addition, all net revenues from the state lottery and portions of revenues from several other excise taxes are statutorily earmarked for the Fund. The difference between total revenues available from the School Aid Fund and the dollars needed to "pay out" the School Aid Act is made up by a General Fund appropriation. In 1990-91, this general fund appropriation amounted to $700 million and constituted 22.4% of the $3.130 billion in the School Aid Fund.

- School finance reform continues to be a major concern of both state officials and citizens' groups. It has been a high legislative priority for several years, although major changes have not been enacted. Several initiative efforts, aimed at amending the State Constitution to mandate legislative action, also are being considered or are underway. A third attempt at seeking redress in the state courts (two previous efforts in the early 1970's and early 1980's were unsuccessful) is being pursued.

Local

- The state has 524 K-12 districts, plus 36 non-K-12 districts, for a total of 560 local school districts. In addition, 57 intermediate school districts provide a range of programs and services to the 560 local districts. All 617 districts are fiscally independent.

- Property taxes constitute the sole source of local district tax revenues. Virtually all property tax rate increases require voter approval.

- There are 2 constitutional limits on local property taxation. The first places a limit of 15 mills (or 18 mills if approved by a vote of the people) on the sum of school district, township, and county tax rates. The second places a limit of 50 mills on the total tax levy, including voted millage above the 15 or 18 mill limit. Debt retirement is excluded from the both limitations, as are cities, villages, and a number of charter units. Hence, it may be somewhat misleading to refer to 50 mills as a limit. The average millage statewide has exceeded 50 mills in every year since 1973.

- In 1990-91, by legislative action, 1992-93 local property tax assessments will be "frozen" at 1991-92 levels, and a proposition appearing on the 1992 general election ballot will call for caps of the lesser of 5% or the rate of inflation on assessment increases on individual parcels of property.

Funding Summary, 1990-91[1]

Total State School Aid (All Programs)		$3,077 million
Grants in Aid	2,312 million	
Teacher Retirement Contributions	363 million	
FICA[2]	402 million	
Total Local School Tax Revenue		4,854 million
Total Combined State and Local School Revenue		7,931 million
State Financed Property Tax Credits Attributable to School Taxes (circuit breaker)[3]	527 million	

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[1] The dollar figures in the funding summary were appropriated amounts. The actual expenditure amounts are not yet available.

[2] FICA is considered to be a categorical grant, but is shown separately and not included in Grants in Aid.

[3] This credit may be viewed as shifting costs from the local to the state level, but it does not represent an additional source of local school revenue beyond that provided by the property tax. This is an estimated amount.

II. THE BASIC SUPPORT PROGRAM

Equal Yield Plan

Funding in 1990-91: $1,818.7 million (59.1% of total state school aid)

Nature of Program: Guaranteed tax base plan, known in Michigan as the Equal Yield Plan. [Michigan School Aid Act (Act 94, Public Acts of 1979 as amended) (Article 2, Sec. 21)].

Units: Pupils. Single count day on the fourth Friday following Labor Day.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: The basic membership formula guarantees per-pupil a combined state-local yield or gross allowance of $266 plus $90 for each operating mill levied. (Assessments by law are supposed to equal 50% of a property's market value; the actual average is 50% as a result of locally assessed valuations being equalized at state and county levels.)

An additional $30 per-pupil in gross allowance is allocated to any district which required its 1990-91 graduates to meet state-determined high school graduation requirements and which provides pupils in grades 9-12 at least 6 periods of classroom instruction per-day. Another $14 per-pupil in gross allowance is allocated to any district which meets state-determined average class size targets. Another $25 per-pupil goes to any district which satisfies a series of legislatively adopted quality incentives.

For the districts meeting or agreeing to meet all of these requirements (and generally all of them do), the $266 per-pupil becomes $335 per-pupil. Consequently, the effective gross allowance per-pupil is actually $335 plus $90 per operating mill levied; for the district levying 32 mills (the state average) the guarantee is $3,146.

State equalization allocations are proportionately reduced, up to a maximum of $160 per-pupil, for districts receiving federal impact aid. For 1990-91, the total statewide deduction is estimated at $1.0 million.

State Share: The state share of the per-pupil guarantee is the gross allowance, i.e., $266 plus $90 for each operating mill levied by the local district, minus the yield from the local levy. For those districts meeting the high school graduation and 6 period day requirements, $30 is added to the gross allowance; for those meeting the class size requirements, $14 is added; and for those meeting the quality incentives another $25 is added. (A district whose yield from the local levy exceeds the gross allowance per-pupil is classified as an "out-of-formula" district.) A district's entitlement is calculated by multiplying its full-time equated membership by the state's share of the gross allowance per-pupil. The state pays out 100% of its share.

The federal impact aid deduction is calculated on a proportionate basis and cannot exceed $160 per-pupil nor the total amount of impact aid for which the district is eligible.

Schedule of Payments. The schedule the State uses to disburse state aid payments is as follows: October 1, 20%; December 1, 19%; February 1, 17%; April 1, 16%; June 1, 15%; August 1, 13%.

Local Share: The local district share of the per-pupil guarantee is the yield from its operating levy, calculated by multiplying the district's state equalized valuation per-pupil by its operating millage rate.

Weighting by Grade Level: None.

Adjustments for Special Factors: None through basic formula. See descriptions of categorical programs below.

Districts Off Formula: 165 of 560 districts (29.5%). These districts did not receive any aid under the basic support program.

III. TRANSPORTATION

Funding in 1990-91: $102 million (3.3% of total state school aid)

Description: Districts are allocated an amount determined by a formula based on (1) the number and type (regular education or special education) of pupils transported; (2) the mileage to and from school; and (3) the number and size of buses used (Article 7, Secs. 71, 72). Additionally, intermediate school districts and other training agencies are reimbursed for expenses incurred in the training of school bus drivers (Article 7, Sec. 74). Finally, non-public schools are fully reimbursed for transportation expenses incurred in securing "auxiliary services" from public schools (Article 7, Sec. 75). Such services, typically, are provided by the public school special education program. Section 75 expenses are fully reimbursed; regular and special education transportation allocations, and Section 74 reimbursements, are prorated on the basis of the dollars remaining after Section 75 is deducted.

State and Local Shares: The state formula pays approximately one-third of the actual expenses incurred in the operation of district local transportation programs. Two-thirds of these expenses, therefore, are assumed by the districts.

Extent of Participation: 533 local districts and 51 intermediate districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

State school aid is *not* provided for capital outlay financing. Capital outlay financing needs of local districts can be met from (1) cash reserves, (2) building and site sinking funds, and (3) the sale of bonds. However, under the provisions of Article IX, Section 16, of the Michigan Constitution, a school district may qualify its bonds under statutory provisions, set the debt retirement at 7 mills, and borrow from the State up to 90% of the remaining funds needed to meet the annual principal and interest payments on the bonds.

Cash Reserves. Minor capital outlay needs can be financed from (1) unencumbered funds in an existing building and site fund, (2) federal assistance under P.L 815 if the district qualifies, (3) proceeds from the sale of building and/or land, (4) diversion of up to 5% of annual state aid for operation, and (5) monetary gifts.

Building and Site Sinking Funds. A local school district, by an affirmative vote of its electors, can establish a building and site sinking fund of not more than 5 mills for 20 years. The funds can be used only for capital outlay purposes.

Bonds. A local school board by resolution, and without a vote of the electorate, may issue bonds that, together with the district's outstanding bonded indebtedness, do not exceed 5% of the district's state equalized valuation. However, these bonds must be retired from existing tax revenues. Unlimited *unqualified* bonds, with a debt-to-valuation ratio of 15%, may be voted for up to 30 years by the electorate. Unlimited *qualified* bonds, approved by the Superintendent of Public Instruction, may be issued for up to 30 years upon voter approval. Qualified bonds are guaranteed 100% by the State. The local board has the authority to set annually the necessary tax rate (not to exceed 13 mills) for debt retirement. However, the local board has the option of setting the basic tax rate at 7 mills and borrowing 90% of the remaining funds needed to meet the annual payment from the Michigan School Bond Loan Program. In 1990-91, 60 local districts were participating in the School Bond Loan Program, with about one-half of them repaying past loans and the other half borrowing some $6 million in new money.

All bonds issued by school districts in Michigan are subject to the provisions of the Municipal Finance Act (Act 202, Public Acts of 1943, as amended). Approval must be obtained from the State Treasurer before bonds are sold.

Other Debt Service

In addition to the debt service provisions noted above for the sale of capital outlay bonds, the State of Michigan allows, upon voter approval, a local district to sell bonds for the elimination of operating deficits. Such millage is equalized; if the district is "in-formula," the state shares in meeting the annual principal and interest payments under the provisions of the general school aid formula. In 1990-91, 5 districts were levying millages to service bonded indebtedness incurred in order to eliminate operating deficits; 4 of these districts were "in-formula" and these millages were equalized.

V. TEACHER RETIREMENT

Funding in 1990-91:	Retirement	$363.1 million (11.8% of total state school aid)
	FICA	$402 million (13.1% of total state school aid)

Description: State aid retirement payments are made to the Michigan Public Employees Retirement System, a defined benefit pension system, through a separate appropriations act. The system has been noncontributory since July 1974; however, beginning in January 1987, the law was amended to include a 4% member contribution investment plan. There are no State appropriations related to the member investment plan.

The system's funding requirements are determined by the actuarial percentage of aggregate payroll sufficient to cover future pension obligations of current service and to provide for the unfunded portion of the annual pension allowances. The state also provides funding for the health insurance costs of public school retirees, retiree's spouse, and dependents. Each year, the appropriations act also provides reconciliation of estimated obligations and actual expenditures for the fiscal year 2 years prior.

The state acts as employer for employee retirement benefits; the state appropriations are paid directly to the retirement system as the employer's contribution, in lieu of being incorporated into state aid payments paid directly to local districts.

VI. SPECIAL EDUCATION

Funding in 1990-91: $202.2 million (6.6% of total state school aid)

Description: There are 3 separate programs for special education (Article 5, Secs. 51-57). The first, funded at $174.4 million, of which $53.0 million are federal funds, reimburses local and intermediate districts on an "added cost" basis for special education programs, services, and personnel. The second, at $51.6 million, reimburses intermediate school districts for special education students counted in membership in the intermediate rather than the local district. The third, at $29.2 million, equalizes intermediate district millages levied for special education purposes.

State and Local Shares: Under the first program, the state reimburses local and intermediate districts for 75% of the "added costs" of special education programs and services and 100% of "added costs" are reimbursed for certain residential programs. Total state payments cannot exceed the appropriation level.

Under the second program, a per-pupil guarantee or gross allowance for the intermediate district is computed by averaging the actual gross allowances of its constituent local districts weighted by membership; for each pupil in membership, the intermediate district receives an amount equal to the state's share of the resulting gross allowance.

Under the third program, a state equalized valuation per-pupil is computed for the intermediate district by dividing the sum of the state equalized valuations of all its constituent districts by the total enrollment of all its districts; the resulting state equalized valuation per-pupil is subtracted from $64,000 and the difference is multiplied by the special education millage levied in 1985-86; the product, if a positive number, is the amount received per-pupil by the intermediate district.

The district assumes the remaining costs under all 3 programs.

Extent of Participation: First program, 516 local districts and all 57 intermediate districts; second program, all 57 intermediate districts; and third program, 36 intermediate districts.

VII. COMPENSATORY EDUCATION

K-10 Compensatory Education

Funding in 1990-91: $23.5 million (less than 1.0% of total state school aid)

Description: Funds are provided to districts which have a large number of pupils in grades K-10 in need of substantial improvement in basic cognitive skills (Article 3, Secs. 31-35). Eligibility is determined by the district's average pupil scores over the prior 4 years at grades 4, 7, and 10 on the state educational assessment battery.

State and Local Shares: The state's share is calculated by a formula which (1) incorporates into a single index or percentage the 4 year averages of the percentages of a district's 4th, 7th, and 10th grade pupils who score below certain levels in math and reading on the state's educational assessment battery, (2) multiplies this index or percentage against the K-10 enrollment in the district to determine the number of students in need of substantial improvement in the basic cognitive skills, and (3) multiplies this number by a sliding per-pupil dollar figure geared to the percent of students in need. The per-pupil dollar figure cannot exceed $300; the total state payments cannot exceed the appropriation level. The local district assumes the remaining costs.

Extent of Participation: 35 local districts

Early Childhood Compensatory Education

Funding in 1990-91: $24.8 million (less than 1.0% of total state school aid)

Description: School districts operating comprehensive compensatory education programs for educationally disadvantaged 4-year-olds are eligible to receive funds (Article 3, Sec. 36-39).

State and Local Shares: The number of eligible 4-year-old children in a district is calculated by taking one-half of the percentage of pupils in the district eligible for free lunch and multiplying this number by the average kindergarten enrollment in the prior two years. This number, in turn, is multiplied by $2,500 and the funds are allocated among districts in decreasing order of concentration of eligible children until the funds are exhausted.

The district is expected to use the state funds in conjunction with whatever federal funds may be available under Chapter 1 and/or Head Start; the district then assumes the remaining costs.

Extent of Participation: 120 local districts

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $9.1 million (less than 1.0% of total state aid)

Description: There are 3 programs which support Gifted and Talented Education (Article 4, Sec. 47). The first (appropriation, $1.4 million) is targeted for intermediate school districts which provide support for teachers in gifted and talented programs. A second program ($0.4 million) is targeted to help intermediate districts defray the costs of summer institutes held in cooperation with local colleges and universities. A third program ($7.3 million) is targeted for development and operation of comprehensive programs by local districts or consortia of districts.

State and Local Shares: For the first program, the state reimburses the intermediate district up to 75% of the actual salary cost of a support services teacher, not to exceed $25,000, and up to $4,000 for approved program expenditures.

For the second program, the state supports a percentage of the cost of the summer institutes under a discretionary grant program established by the state agency.

For the third program, the district, or consortium of districts, may receive up to $100 per-pupil for up to 5% of its total K-12 membership with a minimum grant of $6,000.

Total state payments cannot exceed the appropriation levels for any of the 3 programs.

The district, or consortium of districts, assumes the remaining costs under all 3 programs.

Extent of Participation: 57 intermediate districts participate in the first program; 7 intermediate districts along with 10 universities participate in the second program; and 559 districts, including more than 58 consortia of districts, participate in the third program.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $4.2 million (less than 1.0% of total state school aid)

Description: Aid is provided to local and intermediate districts offering bilingual instruction programs in speaking, reading, writing, or comprehension for pupils of limited English-speaking ability (Article 4, Sec. 41).

State and Local Shares: The amount available per-pupil multiplied by the number of pupils of limited English-speaking ability participating in the district's approved program. The amount available per-pupil is calculated by dividing the total state appropriation by the total number of eligible pupils enrolled in all approved programs. The district assumes the remaining costs.

Extent of Participation: 79 local districts and 6 intermediate districts

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $36.8 million (1.2% of total state school aid)

Description: There are 33 state programs for vocational education (Article 6, Secs. 61-63). Basic support on an "added cost" reimbursement basis is provided to districts and vocational-technical centers which offer secondary vocational-technical programs ($28.5 million). A second program ($6.7 million) equalizes district millages levied for area vocational-technical education programs. The third ($1.5 million) is targeted for the purchase, on a cost-sharing basis, of instructional equipment for vocational-technical education programs.

State and Local Shares: For the first program, the state's share is calculated on an "added cost" basis; a district or vocational-technical center may receive reimbursement of up to 75 percent of the "added costs" of the approved program. Total state payments cannot exceed the appropriation level.

For the second program, a state equalized valuation per-pupil is computed for the intermediate district or the area vocational-technical education program in the same manner as is done for special education millage reimbursement (see above); this figure is subtracted from $64,000 and the difference is multiplied by the vocational education millage rate levied in 1985-86; the product, if a positive number, is the amount per-pupil received by the intermediate district or the area vocation-technical education program.

For the third program, the state shares in 50% of the cost of approved equipment purchases. Total state payments cannot exceed the appropriation level.

For all 3 programs, the district, intermediate district, or area vocational-technical education program assumes the remaining costs.

Extent of Participation: 335 local districts and 46 intermediate districts participate in the first program, 19 intermediate districts participate in the second program, and 32 districts participate in the third program.

Intermediate School District Formula

Funding in 1990-91: $22.3 million (less than 1.0 % of total state school aid)

Description: Funds are provided to equalize millages levied by intermediate school districts for general operating purposes (Article 8, Sec. 81). A small allotment is also provided to intermediate districts which consolidate.

State and Local Shares: The state's share is computed through a general equalization formula that guarantees up to a 5% increase and guarantees that no intermediate district will receive less state aid per-pupil than it did in the prior year. For reorganized intermediate districts, the district receives a payment of $3,500 for each former district included in the new district.

Extent of Participation: All 57 intermediate districts received payment under the general equalization formula. No districts shared in the reorganization allocation.

Municipal Overburden

Funding in 1990-91: $20.0 million (less than 1.0 % of total state school aid)

Description: Under the Municipal Overburden categorical (Article 2, Sec. 25) funds are allocated to districts in which the total property tax rate exclusive of school taxes exceeds by 25% or more the average property tax rate of the state exclusive of school taxes.

State and Local Shares: A district receives an increase in its gross allowance equal to the percentage by which the non-school tax rate exceeds 125% of the average non-school tax rate of the state; the total state payments cannot exceed the appropriation level. A district may receive an allocation under this program or under the Low Income categorical, but not both.

Extent of Participation: 60 local districts

Low Income Program

Funding in 1990-91: $20 million (less than 1.0% of total state school aid)

Description: A district is eligible for funds on a sliding scale if it is levying at least 20 mills for school operations and not less than its authorized millage rate, and its average adjusted gross income per-pupil is below 75% of the state average (Article 2, Sec. 27).

State and Local Shares: Each eligible district is entitled to $1 per-pupil for each $1 that the district's average adjusted gross income per-pupil is below 75% of state average; however the per-pupil amount, combined with the district's gross membership allowance, cannot exceed $3,200 per-pupil or 117% of the prior year's gross allowance. A district may receive an allocation under this program or under the Municipal Overburden program, but not both.

Extent of Participation: 188 districts

MEAP Achievement Incentive

Funding in 1990-91: $5.0 million (less than 1.0% of total state school aid)

Description: Districts are eligible for achievement incentive grants to reward improvement in pupil academic performance as measured by the Michigan Educational Assessment Program tests (Article 3, Sec. 34a).

State and Local Shares: A somewhat complex formula is used to determine improvement among a district's pupils in reading and math as measured by the 4th, 7th, and 10th grade reading and math essential skills tests administered annually as a part of the Michigan Educational Assessment Program. A district may qualify for incentive funds in reading, or math, or both. The program is capped at $5.0 million and an eligible district's specific allocation is a prorated amount of this total.

Extent of Participation: 300 districts

School Dropout Prevention Pilot Programs

Funding in 1990-91: $5.0 million (less than 1.0% of total state school aid)

Description: This aid goes to selected local districts to continue pilot programs aimed at dropout prevention (Article 4, Sec. 46). The district submits a proposal under a discretionary grant program established by the state agency.

Extent of Participation: 52 local districts and 9 intermediate districts

Professional Development

Funding in 1990-91: $4.9 million (less than 1.0% of total state school aid)

Description: Two programs are funded in this area (Article 9, Secs. 97-98). The first ($3.0 million) provides funds to local and intermediate districts and consortia of districts for professional and nonprofessional staff development activities. The second ($1.9 million) is targeted for support of professional development programs in curricular areas, particularly mathematics, science, computer literacy-competency, structured linguistics, reading, writing and composition.

State and Local Shares: For the first program, the state provides the district $25 per professional staff member; an additional $10 per professional staff member is provided to a district, intermediate district, or consortium of districts with a professional staff of 500 or more; an intermediate district consortium which includes all constituent districts receives the additional $10 per staff member regardless of the number of staff members. Total state payments cannot exceed the appropriation level.

For the second program, the district submits a proposal under a discretionary grant program established by the state agency.

Extent of Participation: 518 local districts and some 40 intermediate districts participate in the first program; 75 local and 26 intermediate districts received grants under the second program.

Court Ordered Desegregation

Funding in 1990-91: $3.8 million (less than 1.0% of total state school aid)

Description: The funds provide the state's share of desegregation costs mandated by the federal courts in *Berry* v. *School District of the City of Benton Harbor* (Article 14, Sec. 145).

State and Local Shares: By the ruling of the federal district court, the state is obliged to provide continuing fiscal support to further desegregation activities in the affected districts. The districts assume the remaining costs.

Extent of Participation: The desegregation program involves three local school districts: Benton Harbor and its neighboring districts of Coloma and Eau Claire.

Regional Educational Media Centers

Funding in 1990-91: $3.5 million (less than 1.0% of total state school aid)

Description: Intermediate districts designated as regional educational media centers receive support for media programs (Article 8, Sec. 83).

State and Local Shares: The state's share is computed using a formula which awards to the intermediate district a flat grant of $43,476 plus a per-pupil amount, computed by dividing the total appropriation less the sum of the 22 flat grants and the sum of 5 discretionary grants by the total state enrollment; total state payments cannot exceed the appropriation level.

Extent of Participation: 22 intermediate districts are designated as regional educational media centers; 5 of these districts also received the discretionary grants.

Alternative Juvenile Rehabilitation

Funding in 1990-91: $3.2 million (less than 1.0% of total state school aid)

Description: Local or intermediate districts which operate nonresidential alternative juvenile rehabilitation programs in cooperation with the juvenile division of the county probate court are eligible for state funding.

State and Local Shares: The state reimburses $7,500 of the salary of each professional program person required; total state payments cannot exceed the appropriation level.

Extent of Participation: 159 local districts and 7 intermediate districts

Community Schools

Funding in 1990-91: $3.1 million (less than 1.0% of total state school aid)

Description: Districts conducting approved community school programs receive funds to help support these activities (Article 9, Sec. 96).

State and Local Shares: The state reimburses the district up to two-thirds, or $12,000, of the actual salary costs of the community school director; total state payments cannot exceed the appropriation level.

Extent of Participation: 285 districts

Quality Incentives

Funding in 1990-91: $2.4 million (less than 1.0% of total state school aid)

Description: Local districts, intermediate districts, and consortia of districts are eligible for grants (Article 9, Sec. 21a) to provide support services for developing and adopting school improvement plans, preparing and distributing annual education reports, and adopting a core curriculum — all of which are efforts called for under the recent adoption of Act 25 of the Public Acts of 1990, the so-called "quality incentives" bill.

State and Local Shares: $1.6 million of the total $2.4 million is distributed to applicant local and intermediate districts at the rate of $640 per classroom building; if funds remain after allocation to all applicant districts, they are distributed proportionately among buildings with more than 30 classroom teachers. The remaining $0.8 million is distributed to intermediate districts and consortia of districts which provide support services and technical assistance to local schools. The local and intermediate districts assume the remaining costs of meeting Act 25 requirements.

Extent of Participation: 57 local and intermediate districts

Pilot Programs for School Restructuring

Funding in 1990-91: $2.0 million (less than 1.0% of total state school aid)

Description: Districts are eligible for grants of up to $50,000 per school for the design or implementation of pilot building-level restructuring plans (Article 9, Sec. 90).

State and Local Shares: The state grants are awarded to districts on a competitive basis and are to be used for designing or implementing restructuring plans aimed at reallocating existing human and monetary resources to improve school performance and to better serve pupils. The local district assumes costs not covered by the state grant.

Extent of Participation: 49 districts

School Age Parents

Funding in 1990-91: $1.3 million, of which $0.3 million is earmarked for support of pilot school-age parents projects (less than 1.0% of total school aid)

Description: Districts operating programs for school-age expectant parents and school age parents and their children receive partial reimbursement of the salary costs of teachers in the program (Article 9, Sec. 93).

State and Local Shares: The state reimburses the district for 75% of the actual cost of the salary, not to exceed $8,100, for each approved teacher in the program; the total state payments cannot exceed the appropriation level.

Extent of Participation: 122 local districts and 10 intermediate districts

School Health Education Curriculum

Funding in 1990-91: $1.2 million (less than 1.0% of total state school aid)

Description: The program (Article 4, Sec. 45) offers grants to local and intermediate districts to provide a school health education curriculum patterned after a state-established model.

State and Local Shares: The district submits a proposal under a discretionary grant program established by the state agency.

Extent of Participation: 5 local districts and 21 intermediate districts

Other Categorical Programs

In addition to the above categorical programs, the 1990-91 Michigan School Aid Act also provides $3.0 million to cover millage increases voted during 1990-91; $1.0 million for a local district revenue guarantee (Article 14, Sec. 143); $0.4 million for districts formed by successful reorganization elections (Article 2, Sec. 22); $0.2 million for intermediate districts that provide support services to local districts for instruction in arts education; and $6.0 million for a number of smaller programs plus adjustments.

"Recapture" of Categorical Funds

A so-called "recapture" provision (which actually is a "hold-back" of state funds) results in a deduction of state categorical funds for "out-of-formula" districts. The amount of state categorical funds "recaptured" from an "out-of-formula" district is based on a sliding scale and determined by 3 factors: (1) its state equalized valuation per-pupil, (2) its adjusted gross income per-pupil, and (3) its millage rate for school operations. The higher the values of the first 2 factors and the lower the value of the 3rd factor, the greater is the amount recaptured. The recapture cannot exceed 99% of the categorical funds for which the district is eligible, nor can the total statewide "recapture" exceed $72.1 million.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None. A constitutional prohibition adopted in 1970 prohibits state aid to non-public schools (Article VIII, Sec. 2). See Section III — Transportation.

XII. PREKINDERGARTEN EDUCATION

See Early Childhood Compensatory Education in section VII.

XIII. LOCAL SCHOOL REVENUE

The property tax is the only local tax that funds schools. In 1990-91, it generated $4,854 million.

Under the Michigan Constitution, assessment ratios on all taxable property must be uniform throughout the state and must not exceed 50% of true cash value. A separate statute requires that the ratio of assessed value to true cash value equal 50%. The initial assessments are done by local assessors at the township, village, and city levels. The aggregate local unit assessments are adjusted or equalized at both the county and state levels and the resulting figures are termed *state equalized valuations.*

Compared to the nation, Michigan scores well in overall assessment practices. But there is still considerable variation in the quality of assessments among the 1,777 jurisdictions with assessment authority. In addition, there is considerable variation in assessment practices within the 6 separate classes of real property: agricultural, residential, commercial, industrial, timber cutover, and utility. For example, accurate assessments of commercial and industrial property are much more difficult than accurate assessments of residential property.

Equalization studies are undertaken regularly by field staff of the State Tax Commission.

Property Tax "Circuit Breaker"

The State of Michigan chose to address the problem of regressivity of the property tax through the adoption in 1973 of the Michigan Homestead Property Tax Credit, the so-called "circuit breaker." Under the circuit breaker, a refundable state income tax credit is given to taxpayers who pay more than 3.5% of their household income in property taxes; for renters, 17% of their gross rent is considered to be property tax. The credit is equal to 60% of the difference between the property tax paid on the principal household residence and 3.5% of the total household income. There is a maximum credit of $1,200, a phasing-out of the credit for persons whose household income exceeds $73,650, and no credit for those whose household income is over $82,650.

Michigan's circuit breaker is one of the most generous in the nation, accounting for more than a $700 million annual reduction in property taxes. One recent estimate suggested that, under the circuit breaker, total local property taxes are cut back by 9% and residential property taxes by 16%. In 1990-91, the circuit breaker effectively reduced local property taxes for school operations by some $527 million.

XIV. TAX AND SPENDING LIMITS

The 15-18 Mill Limit

The State of Michigan sets limits on the aggregate tax rates that can be levied on property. The Michigan Constitution (Article IX, Sec. 6) places a limit of 15 mills, or 18 mills in those counties where the voters have approved the higher limit, on the aggregate tax rate levied by school districts, townships, and counties. In those counties where the limit is 15 mills, a county allocation board divides up the 15 mill taxing authority. In those counties where the limit is 18 mills, the voters have approved a fixed division of the 18 mill taxing authority. In either case, the local school district generally is granted between 8 and 11 mills of this taxing authority, usually referred to as the district's "allocated millage." (Assessments are supposed to equal 50% of a property's market value; the actual average is about 50%.)

The 50 Mill Limit

If a district needs a higher tax rate than its allocated millage to operate its schools (and all but one of Michigan K-12 school districts do), voters must approve that higher rate — usually referred to as the district's "voted millage." Furthermore, the aggregate tax rate — allocated and voted — for school district, township, and county cannot exceed 50 mills. However, these limits apply only to revenue raised for operations; taxes levied for debt retirement are exempted from this limitation. Neither do the 15-18 and 50-mill limits apply to cities, villages, charter counties, or charter townships; their limits are set by the terms of their charters.

The Headlee Amendment

In 1978, Michigan voters approved the so-called "Headlee Amendment" which added Sections 25-33 to Article IX of the Michigan Constitution. The amendment places an additional limit on local property taxation and constrains state government in certain of its taxation and allocation actions. The additional limit mandates that local property tax rates be rolled backed if the increases in tax revenues (other than from new construction) from one year to the next exceed the rate of inflation, as measured by the consumer price index. However, a majority of local voters can "override" the roll back and retain the existing millage rate. Constraints on state government include prohibiting state-mandated requirements for any new or expanded activities by local government without also providing full state financing for these activities and prohibiting reductions in the portion of state spending paid to local governments below 41.6%, the share in place at the time of the adoption of the amendment.

Voter Approval of Bond Issues

A local school board by resolution, and without a vote of the electorate, may issue bonds that together with the district's outstanding bonded indebtedness do not exceed 5% of the district's state equalized valuation. However, these bonds must be retired from existing tax revenues. Unlimited *unqualified* bonds, with a debt to valuation ratio of 15%, may be voted for up to 30 years by the electorate. Unlimited *qualified* bonds, approved by the Superintendent of Public Instruction, may be issued for up to 30 years upon voter approval. Qualified bonds are guaranteed 100 percent by the State. The local board has the authority to set annually the necessary tax rate (not to exceed 13 mills) for debt retirement. However, the local board has the option of setting the basic tax rate at 7 mills and borrowing 90% of the remaining funds needed to meet the annual payment from the Michigan School Bond Loan Program.

Budget Deficits

Under Section 102 of the State School Aid Act, a local or intermediate district is prohibited from adopting or operating under a deficit budget. Additionally, a district is prohibited from incurring an operating deficit in a fund during a school fiscal year. A district which has an existing deficit or incurs a deficit receives no further state aid until it submits to the state education agency for approval a budget for the current school fiscal year and a plan to eliminate the deficit no later than the end of the second school fiscal year after the deficit was incurred.

XV. EARMARKED STATE REVENUE

The following state revenue is earmarked for school aid:

Sales tax (60% of the net)	$1,647.0 million
Lottery (100% of the net)	490.0 million
Cigarette Excise	20.2 million
Liquor Excise	21.0 million
Industrial & Commercial Facilities	65.6 million

Note that these revenues in 1990-91 were supplemented by an appropriation of $700 million from the state general fund.

MINNESOTA

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I. GENERAL BACKGROUND

State

- The state share of state-local revenue for elementary and secondary education has remained fairly constant since 1984, averaging approximately 62%. This percentage includes tax credits, tax shift adjustments, and nondistrict aid (includes state agency appropriations, but excludes property tax refund program).
- The General Education Revenue Program replaced the Foundation Program beginning in 1988-89. The General Education formula is similar to the previous foundation formula, but incorporates a number of previously separate formulas (e.g., teacher retirement aid) and does not include a tier structure. All districts are provided equivalent revenue per pupil unit (adjusted for state-recognized cost factors) from a uniform level tax effort. In FY 1991, the General Education formula provided school districts with approximately 88% of their general fund revenues.
- State aid to school districts includes direct school aid, computed according to various education funding formulas (e.g., general education aid, categorical aids) and state-paid property tax relief (e.g., Homestead and Agricultural Credit Aid), which replaces a portion of the gross tax levy certified by local school boards. In addition to payments made by the state to school districts, homeowners and renters receive property tax refunds.
- The current school finance system, especially the provisions for referendum and debt service levies, was challenged in state district court; *Skeen et al.* v. *State of Minnesota*. A trial court decision, in late 1991, found for the plaintiffs on 3 elements; referendum levy, supplemental levy, and debt service. The state is appealing the decision.

Local

- There are 432 fiscally independent school districts.
- Local revenues are derived almost exclusively from property taxes.
- In 1990-91, 1,511 schools were operating serving 749,203 pupils and 570 nonpublic schools were operating serving 82,262 pupils. In addition, 4,418 pupils attended home schools.
- In 1990-91, school district revenue is estimated to average $4,590 per weighted average daily membership (WADM). This amount excludes nondistrict items, State Agency appropriations, Statutory Operating Debt Levy, but includes Referendum Levy.

Funding Summary, 1990-91[1]

Total State School Aid (All Programs)		$2,285 million
Grants in Aid	2,285 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue (Gross Levy)		1,545 million
Total Combined State and Local School Revenue		3,830 million
State Financed Property Tax Credits		
Attributable to School Taxes (included in Gross Levy)[2]	211 million	
Property Tax Refund (Circuit Breaker)		
Attributable to School Taxes (included in Gross Levy)	48 million	

[1] Amount excludes appropriations for State Agencies (Minnesota Department of Education, Faribault Acadamies, and The Center for Arts Education). Totals include nondistrict revenue items.

[2] Amount includes Homestead and Agricultural Credit Aid (HACA), Enterprise Zone Credit, Disaster Credit, Attached Machinery Aid, and Agricultural Preserve Credit.

II. THE BASIC SUPPORT PROGRAM

General Education Revenue Program

Funding in 1990-91:
$1,742.1 million State Aid (76.2% of total state school aid)
$1,005.9 million Gross Levy (65.1 % of total gross levy)
$2,748.0 million Total Funding (71.8% of total combined funding)

Nature of Program: Foundation program, known in Minnesota as General Education Revenue program. (Minnesota Statutes, Chapter 124A.)

Units: Pupils. Weighted average daily membership (WADM).

Local Fiscal Capacity: Equalized assessed property valuation, known in Minnesota as Adjusted Net Tax Capacity, or ANTC (M.S. 124A.02, Subd. 3a.). A school district's ANTC equals the quotient obtained by dividing the district's net tax capacity (NTC) by the district's sales ratio. NTC for each parcel of property equals the product of the market value as estimated by the local assessor multiplied by a statutory percentage. The percentage of market value varies with the class and value of property. For example, for residential homesteads, the percentage is 1.0% for the first $68,000 of market value, 2.0% for value between $68,000 and $100,000, and 3.0% for value exceeding $100,000. For commercial and industrial property, the percentage is 3.3% for the first $100,000 of market value, and 5.06% for value exceeding $100,000. Sales ratio studies are conducted annually by the state Revenue Department to compare the actual selling price of property with the values estimated by the local assessor. The state average sales ratio for 1990-91 was 92%. [General Education capital expenditure facilities and equipment, and basic transportation levies for FY 1991 were computed using ANTC. Other school levies for FY 1991 were computed using Adjusted Gross Tax Capacity (AGTC). AGTC is similar to ANTC, but higher statutory percentages are used for residential and agricultural property. *Beginning in FY 1992, all school levies are computed using ANTC.*]

How Formula Operates: A school district's general education revenue equals the sum of the following revenue components: (1) basic revenue, (2) compensatory revenue, (3) training & experience revenue, (4) sparsity revenue, (5) supplemental revenue, (6) excess fund balance reduction, and (7) referendum revenue.

1. Basic revenue. A district's basic revenue equals the "formula allowance" of $2,953 times the district's WADM for the current school year. (Total funding $2,451.3 million; 432 school districts).

2. Compensatory revenue. A district's compensatory revenue equals the "formula allowance" of $2,953 times the district's Aid for Dependent Children (AFDC) pupil units for the current school year. A district's ratio of AFDC students to WADM must be at least 6% to qualify for AFDC pupil units. The number of AFDC pupil units granted for each AFDC student increases with AFDC concentration; for example, districts with a ratio of 6.0% to 6.99% receive 0.1 AFDC pupil unit for each AFDC student, while districts with ratios of 11% or more receive 0.6 AFDC pupil unit for each AFDC student. (Total funding $64.5 million; 125 school districts). *Beginning in 1992-93, the compensatory revenue formula is modified such that all districts with AFDC students will receive some revenue, and the maximum weighting for AFDC students is raised to 0.65 pupil units per student.*

3. Training & experience revenue. A district's training and experience revenue equals:

[(district T & E index - 1.6) x $700 x current year WADM]

where the T & E index is a measure of the district's average level of teacher training and experience; it ranges from 1.0 for a teacher with a B.A. degree and no experience to 2.11 for a teacher with a Ph.D. degree and at least 20 years of experience. The average T & E index is 1.55. (Total funding $14.5 million; 42 school districts). *Beginning in 1992-93, the T & E formula is modified such that all districts will receive some revenue; there will also be a separate levy for this revenue component.*

4. Sparsity revenue. Sparsity revenue is provided to districts with small, geographically isolated elementary or secondary schools. To qualify, a secondary school must have fewer than 400 students in grades 7 - 12, and an "isolation index" of more than 23. The isolation index is a function of the distance to the nearest secondary school and the school's attendance area. An elementary school must average fewer than 20 students per grade level and be 20 miles or more from the nearest elementary school to qualify for this revenue. (Total funding $5.3 million; 58 school districts).

5. Supplemental revenue. Supplemental revenue ensures that a district's revenue per WADM from the above 4 components will be at least $258 higher than the amount received by the district in 1987-88 under the formulas in effect prior to the adoption of the general education revenue formula in 1988-89. (Total funding $12.6 million; 66 school districts).

6. Excess fund balance reduction. General education revenue is reduced for districts with unreserved operating fund balances that exceed $600 times district WADM. The reduction equals the lesser of $150 times district WADM or the amount of the excess fund balance. (Total fund balance reduction $7.7 million; 98 school districts).

7. Referendum revenue. A school district may increase its property tax levy for general education purposes beyond the level otherwise provided in state law by a referendum election. If a majority of those voting approve, the district may levy the amount raised by applying the approved tax rate to the district's net tax capacity each year for the number of years specified on the ballot. (Total funding $218.6 million; 279 school districts).

In addition to the above components, general education revenue for FY 1991 includes $2.6 million for the shared-time program and a negative $13.7 million adjustment for a change in the teacher retirement contribution rate.

Beginning in 1992-93, state aid is provided to equalize the first $305 per WADM of referendum revenue (10 % of the formula allowance), and referendum revenue may not exceed the lesser of the district's referendum revenue authority for 1991-92 or $1,067 per WADM (35 % of formula allowance). New referenda are limited to no more than 5 years, and must be specified as a rate per WADM rather than a tax rate.

State Share: The state share of the basic, compensatory, training & experience, and sparsity revenue equals the total revenue for these components minus the general education levy (26.3 % of ANTC). For districts with an excess fund balance reduction, state aid and property tax levies are reduced in proportion to the initial aid and levy amounts. For districts receiving supplemental revenue, state aid and property tax levies are increased in proportion to the initial aid and levy amounts. The amounts received by a district through "county apportionment" (e.g. penalties on property taxes, fines) and taconite (iron ore) taxes are also deducted from state aid or local levies.

Schedule of Payments: Aid payments are made twice a month on the 15th and 30th. First payment in July 15th. The final payment is made on June 20th at which time a district is guaranteed 100% of total aid. Payments include both state aid and property tax percentage.

Local Share: A district's maximum levy equals 26.3% of district ANTC, less any reduction for excess fund balance, plus the district's proportionate share of any supplemental revenue, plus the amount authorized by referendum. If a district levies less than its maximum amount for the general education or supplemental programs, the corresponding state aid is reduced proportionately. Few if any districts levy less than the maximum amount.

A district is "off the formula" if its basic, compensatory, training & experience, and sparsity revenues total less than the amount raised by a tax levy of 26.3% of ANTC. These districts receive all of their general education revenue from the local levy, and categorical aids are reduced by the amount of the levy that exceeds the revenue.

Weighting by Grade Level:

Regular kindergarten ADM	0.5
Handicapped prekindergarten and kindergarten ADM	1.0
Elementary ADM (grades 1-6)	1.0
Secondary ADM (grades 7-12)	1.35

(beginning in 1991-92 secondary weight is reduced to 1.30).

Adjustments for Special Factors: See above, and descriptions of categorical formulas below.

Districts Off Formula: 3 districts (0.7 %)

III. TRANSPORTATION

Funding in 1990-91:
$118.3 million State Aid (5.2% of total state school aid)
$114.1 million Gross Levy (7.4% of total gross levy)
$232.4 million Total Funding (6.1% of total combined funding)

Description: A school district's transportation revenue equals the sum of the following revenue components: (1) regular transportation revenue, (2) nonregular transportation revenue, (3) excess transportation revenue, and (4) bus purchase levy. (M.S. 124.223, M.S. 124.225)

1. Regular transportation revenue. A district's regular transportation revenue is equal to the district's regular transportation allowance times the number of eligible students transported to and from school during the current school year. The regular transportation allowance equals the average of the district's actual cost per student transported during the second prior school year and a formula-predicted cost per student transported (but not less than 80% nor more than 110% of actual cost), increased by 5.4% for inflation. The formula-predicted cost, derived using regression analysis, is a function of the number of students transported per square mile and the percent of students transported on contractor-owned vehicles. Eligible students include public and nonpublic elementary (K-6) students residing 1 mile or more from school and secondary (7-12) students residing 2 miles or more from school.

2. Nonregular transportation revenue. A district's nonregular transportation revenue equals 100 % of the district's actual cost in the current year for handicapped, desegregation, noon kindergarten, and during-day transportation, minus the amount of regular transportation funding provided for desegregation transportation. *Beginning in 1991-92, nonregular revenue is limited to the lesser of the actual cost in the current year or the actual cost in a base year plus an adjustment for inflation and enrollment change.*

3. Excess transportation revenue. Excess transportation is transportation to and from school of secondary students residing between 1 and 2 miles from school and transportation of students residing less than 1 mile from school where hazardous walking conditions exist. A district's excess nonregular transportation revenue equals the product of (a) the lesser of the district's regular allowance or the district's actual excess transportation cost per weighted student transported, times (b) the number of weighted students transported in the excess category. Excess category students are weighted at 1.0 in densely populated areas; the weighting gradually decreases with decreasing density.

4. Bus purchase levy. School districts are allowed to levy the amount needed to eliminate any projected deficit in their reserved account for bus purchases.

State Share: State transportation aid equals the sum of the regular and nonregular transportation revenues minus the sum of the basic, contract and nonregular levies. The aid is reduced proportionately if a district levies less than the maximum amount for basic or nonregular transportation.

Local Share: The basic transportation levy equals 2.04% of the district's ANTC. Districts that contract for transportation make a contract transportation levy equal to the portion of regular transportation revenue attributable to the contract factor used in computing the regular transportation allowance. School districts also levy for a portion of nonregular transportation revenue through an equalization formula, and levy for excess transportation and bus purchases.

Extent of Participation: 432 districts (100%)

IV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1990-91:	$126.2 million State Aid (5.5% of total state school aid)
	$254.3 million Gross Levy (16.5% of total gross levy)
	$380.5 million Total Funding (9.9% of total combined funding)

Description: The state's role in capital finance has increased substantially during the last few years. This increase in state aid has been accompanied by a substantial increase in the total capital expenditure revenue allowance.

Debt Service Levy
(M.S. 275.125 Subd. 4)

When approved by a voter referendum, a school district may issue bonds to finance a construction project. The district then can levy for the amounts needed to pay the principal and interest due on the bonds.

Extent of Participation: 261 districts

Down Payment Levy
(M.S. 124.82, 275.125, Subd.4a)

When approved by a voter referendum, school districts may levy up to 5 years for the amount authorized for a down payment on future construction costs.

Extent of Participation: 1 district

Maximum Effort School Aid
(M.S. 124.36-124.477; Laws 1988, Chapter 718, Article 8, Section 23)

State Share: Districts with low property wealth may find it difficult to finance construction projects through conventional bond sales. Under this program, the state borrows money through the sales of bonds, and lends it to qualifying districts on favorable terms. Two types of loans are available: capital loans for new construction projects, and debt service loans.

Local Share: Each district having an outstanding capital loan or debt service loan must levy the greater of the maximum-effort debt service levy or the required debt service levy less any reduction for a debt service loan. The maximum-effort debt service levy is equal to 20% of the district's ANTC for districts receiving capital and debt service loans after January 1, 1990 (lower rates apply to districts that received loans earlier). Loans are repaid when the proceeds from the maximum effort levy exceed the required debt service levy.

Extent of Participation: 12 districts with capital loans, and 12 districts with debt service loans.

Capital Expenditure Revenue

Capital expenditure revenue is divided into 3 programs: facilities, equipment, and health and safety.

1. Facility Aid and Levy

(M.S. 124.243; 124.2442)

State Share: A district's maximum revenue is equal to $130 times the district's WADM for the current school year. A district's maximum state aid equals the maximum revenue minus the maximum levy. If a district levies less than the maximum amount, the state aid is reduced proportionately.

Local Share: A district's maximum levy equals the product of the maximum revenue times the lesser of one or the ratio of the district's ANTC per pupil unit to the general education equalizing factor ($11,228 for FY 1991). (The general education equalizing factor is the level of ANTC per WADM at which a district goes "off the formula" for basic general education revenue. It is computed by dividing the formula allowance ($2,953) by the general education tax rate (0.263).)

Levy = The lesser of 1; or $\frac{\text{(ANTC / 90-91 WADM)}}{\$11{,}228}$;
x facility revenue

Extent of Participation: 432 districts.

2. Equipment Aid and Levy

(M.S. 124.244)

State and Local Shares: A district's maximum revenue is equal to $65 times the district's WADM for the current school year. State and local share are computed in the same manner as for the facility aid and levy.

Extent of Participation: 428 districts

3. Health and Safety Aid and Levy

(M.S. 124.83)

State Share: The amount of health and safety revenue in any given year is equal to the difference between the sum of the district's total health and safety expenditures approved since FY 1985 and the accumulated receipt of health and safety aid and local levy plus the amount of federal, state, or local receipts due the district from FY 1985 through the current fiscal year. State aid equals health and safety revenue minus health and safety levy.

Local Share: A district's maximum levy equals:

Levy = The lesser of 1; or $\frac{\text{ANTC/pupil units}}{\$7{,}103.60}$;
x health and safety revenue

If a district levies less than the maximum amount, the state aid is reduced proportionately.

Extent of Participation: 316 districts.

Leased Facilities Levy

Upon the commissioner's approval, districts may levy for leased facilities when the leased facility would be economically advantageous. The facilities may be used for instructional purposes.

Extent of Participation: 72 districts

V. TEACHER RETIREMENT

Prior to FY 1987, the state was responsible for paying employer retirement and social security contributions for teacher retirement association members paid from normal school operating funds. Beginning in FY 1987, school districts and cooperatives are responsible for paying all employer retirement and social security contributions. State categorical aid was provided for teacher retirement costs in FY 1987 and FY 1988. Beginning in FY 1989, categorical funding for teacher retirement was eliminated and included in the general education revenue program.

VI. SPECIAL EDUCATION

Funding in 1990-91:	$178.1 million State Aid (7.8% of total state school aid)
	$79.5 million Gross Levy (5.1% of total gross levy)
	$248.6 million Total Funding (6.5% of total combined funding)

Description: There are 6 separate programs providing service to students with disabilities. Programs include Special Education-Regular (M.S. 120.03; 120.17; 124.32; 275.125, Subd. 8c), Special Education-Special Pupil (M.S. 124.32, Subd. 6), Special Education-Summer School (M.S. 124.32, Subd.10; 275.125, Subd.8c), Special Education-Home-based Travel (M.S. 124.32, Subd.2b), Special Education-Residential (M.S. 124.32, Subd. 5 and 10), and Secondary Vocational-Handicapped (M.S. 124.574; 275.125, Subd. 8c).

Special education aids support 3 broad categories of service to learners with disabilities:

1. *Aid for Salaries of Essential Personnel.* (M.S. 124.32, Subd.1).

Description: Aid for salaries of essential personnel provides a state payment for salaries of teachers, supervisors, directors, related services and support services personnel.

State Share: Aid is equal to 60% of salary expenditures but not to exceed $16,727 per FTE employee. Therefore, aid for full-time employees whose salaries exceed $27,878 is limited to $16,727.

Local Share: Districts are authorized to levy an amount equal to the difference between 66% of salaries paid to essential personnel and the state aid paid for salaries of these personnel. Districts are also authorized to levy for the additional 6% of salaries. *Beginning in FY 1993 state aid will be provided to equalize this levy.*

2. *Aid for Supplies and Equipment.* (M.S. 124.32, Subd.2).

Description: Aid for supplies and equipment are limited to those items which are in addition or supplementary to those items normally provided to pupils in the regular education program.

State Share: Aid is equal to 47% of the costs of the supplies and equipment, not to exceed an average of $47 per handicapped pupil served.

Local Share: The local district assumes the remaining costs.

3. *Aid for Contracted Services.* (M.S. 124.32, Subd. 1d).

State Share: When districts choose to purchase services for handicapped pupils from public and private agencies, state aid is paid on the basis of 52% of the difference between the contracted cost and the general education revenue for the pupil.

Local Share: The local district assumes the remaining costs.

Extent of Participation: All Minnesota schools districts are required by state law to provide appropriate and necessary special education to handicapped children from birth to 21 years of age. Approximately 11% of the pupils in the state receive special education.

Secondary Vocational Education Aid for Handicapped Children

(M.S. 124.574; 275.125, Subd. 8c)

Beginning in FY 1991, the state paid aid for secondary vocational programs for handicapped pupils. The aid and levy formulas are the same as the special education-regular program.

VII. COMPENSATORY EDUCATION

Compensatory education funding is included as a component of the general education revenue formula (see Section II).

VIII. GIFTED AND TALENTED EDUCATION

Funding for gifted and talented programs is included in the basic general education revenue formula; there is no separate categorical aid.

IX. BILINGUAL EDUCATION

Limited English Proficiency

(M.S. 124.273; 126.261-.269; 275.125, Subd.8)

Funding in 1990-91 :	$3.4 million State Aid (less than 1.0 % of total state school aid)
	$0.0 million Gross Levy (0.0% of total gross levy)
	$3.4 million Total Funding (less than 1.0 % of total funding)

Description: Two program delivery designs are used to serve students with limited English proficiency (LEP): English as a second language and Bilingual Education.

State Share: A district's state aid equals the lesser of 61% of salary or $17,000 for each eligible FTE teacher. A district is eligible to receive funding for 1 FTE teacher for each 45 LEP students or a pro rata portion of a FTE teacher for 23-44 students. Districts with 22 or fewer LEP pupils are eligible to receive funding for 1/2 FTE teacher.

Local Share: A district may levy an amount equal to the difference between 61% of salaries paid to eligible personnel and the state aid paid for salaries of these personnel. (Included in levy shown for special education.)

Extent of Participation: 102 districts. Approximately 11,700 students received service in FY 1991.

X. OTHER CATEGORICAL PROGRAMS

Assurance of Mastery

(M.S. 124.311; 126.67, Subd. 3a)

Funding in 1990-91 :	$11.7 million State Aid (less than 1.0 % of total state school aid)
	$0.0 million Local Levy (0.0% of total gross levy)
	$11.7 million Total Funding (less than 1.0 % of total funding)

Description: This is an optional program for school districts to assure all students in grades K-8 have an opportunity to learn and succeed in the general education program within the usual and customary classroom setting. FY 1991 is the first year of the program.

State Share: State provides matching funds to participating districts.

Local Share: If the district expends $22.50 per grade K-8 WADM to employ staff to provide direct instructional services to eligible grade K-8 pupils within the usual and customary classroom, the state will match the district effort. If the district effort is less than that amount, the state will match the lesser amount.

Extent of Participation: 413 districts (96 %).

Individualized Learning and Development
(M.S. 124.331)

Funding in 1990-91 : $ 7.1 million State Aid (less than 1.0% of total state school aid)
$0.0 million Gross Levy (0.0% of total gross levy)
$7.1 million Total Funding (less than 1.0% of total funding)

Description: This is an optional program for districts to reduce instructor/learner ratios in Grades K-1 and to improve program offerings for any grade level. The district must adopt a district instructor/learner ratio for Grades K-1 and submit it to the Minnesota Department of Education. A district must not increase the district wide instructor-learner ratios in Grades 2-8 as a result of reducing instructor-learner ratios in Grades K-1. FY 1991 is the first year of the program. *This program will be extended to grades 2 and 3 by FY 1993.*

State and Local Shares: Eligible districts receive $62.25 times the Average Daily Membership (ADM) in Grades K-1. The district pays the balance of the costs.

Extent of Participation: 367 districts (85%).

Organization/Cooperation Programs

Funding in 1990-91 : $ 5.3 million State Aid (less than 1.0% of total state school aid)
$31.3 million Gross Levy (2.0% of total gross levy)
$36.6 million Total Funding (less than 1.0% of total funding)

Description: There are 5 programs for increasing cooperation and coordination among school districts:

1. Education Districts are used to increase cooperation and coordination among 4 or more districts. (M.S. 122.91-122.96; 124.2721)

State Share: Each Education District may receive revenue up to $60 times the WADM of member school districts. State aid is equal to the total revenue minus the Education District levy.

Local Share: Levy authority is equal to the lesser or total revenue or 1.5% times the combined adjusted gross tax capacity of all member districts. The levy is allocated to each school district proportionately based on its share of tax capacity, and the net property tax levy revenue is transferred to the Education District in June and November.

Extent of Participation: 33 Education Districts comprised of 242 member school districts.

2. Secondary Vocational Cooperatives. Two or more districts may enter into an agreement which entails greater cooperation and coordination to provide vocational and nonvocational programs. (M.S. 123.351; 124.575)

State Share: Each Secondary Vocational Cooperative may receive revenue up to $20 times the WADM of member school districts. State aid is equal to total revenue minus the vocational cooperative levy.

Local Share: A cooperative may certify a levy, across the districts, up to .6% of adjusted gross tax capacity.

Extent of Participation: 7 Secondary Vocational Cooperatives comprised of 35 member school districts.

3. Interdistrict Cooperation Levy encourages districts to cooperate in increasing or maintaining curriculum offerings in the academic areas of science, mathematics, foreign languages, computer science, as well as other programs recommended by the State Board of Education. (M.S. 275.125, Subd. 8e)

State Share: None.

Local Share: The maximum revenue for FY 1991 is equal to the least of $50 per WADM, the estimated instructional costs to the district of the cooperation plan, or $50,000.

Extent of Participation: 91 districts (21%)

4. Intermediate District Levies provide tax levy funding for special education and secondary vocational programs for intermediate districts. (M.S. 136D.27; 136D.74; 136D.87)

State Share: None.

Local Share: For FY 1991, intermediate districts may levy the greater of either the amount of the levy certified for taxes payable in 1989; or the lesser of $60 times the WADM for the current year, or 1.1% of adjusted gross tax capacity.

Extent of Participation: 3 intermediate school districts.

5. Cooperation and Combination (M.S. 124C.02). This program provides significant incentives for 2 or more districts to improve services and programs for students through cooperation and combination of districts. Districts with approved Cooperation and Combination plans may receive revenue through this program.

State Share: Maximum revenue is $100 per pupil unit served up to a maximum of $200,000 for the group for each of the first 4 years of the program. The revenue is equalized at a percentage of the general education equalizing factor. The percentages of the equalizing factor used are 100%, 75%, 50%, and 25%, for the first, second, third, and fourth years, respectively, of the program. State aid is equal to total revenue minus the Cooperation and Combination levy. In addition to the equalized revenue, school districts also receive $100 per pupil unit served in additional aid in the first year of cooperation and in the first year of combination.

Local Share: School districts levy for the local share of cooperation and combination revenue based on the equalizing factors noted above. After the fourth year, school districts which are not members of an Education District may levy $50 per pupil unit served up to $50,000 for every year thereafter.

Extent of Participation: 6 approved cooperating or combining groups comprised of 13 school districts.

Integration Grants

(Laws 1987, Chapter 398, Article 6, Section 18 & 19 Subd. 12;
Laws 1988 Chapter 718, Article 6, Section 24, Subd 4;
Laws 1989, Chapter 329, Article 8, Section 14, Subd. 3;
M.S. 275.125, Subd. 6e and 6.)

Funding in 1990-91:	$ 15.0 million State Aid (less than 1.0% of total state school aid)
	$11.6 million Gross Levy (less than 1.0% of total gross levy)
	$26.6 million Total Funding (less than 1.0% of total funding)

Description: Funding provides for additional education costs associated with implementing an approved desegregation plan for three Minnesota school districts.

State Share: Amount awarded to each district is specified in law.

Local Share: Specific tax rates and amounts raised by the districts for the rule compliance levy range from 2.0% to 3.0% of ANTC.

Extent of Participation: 3 districts

American Indian Programs

(M.S. 126.45-126.55;
Laws of 1989, Chapter 329, Article 3, Section 25, Subd. 11; 124.481; 124.48;
Laws 1989, Chapter 329, Article 2, Section 22, and 25; 124.86.)

Funding in 1990-91: $3.6 million State Aid (less than 1.0% of total state aid)
0.0 million Gross Levy (0.0% of total gross levy)
3.6 million Total Funding (less than 1.0% of total funding)

Description: Programs included in this section are Indian Language and Culture, Indian Education, Indian Post-secondary Preparation, Indian Scholarships, Indian Teacher Grants, and Tribal Contract Schools.

State Share: State provides grants to fund program costs.

Local Share: Balance of costs.

Extent of Participation: Indian Language and Culture, 14 districts; Indian Education, 55 districts; Indian Post-secondary Preparation, 29 schools; Indian Scholarship, 1600 students; Indian Teacher Grants, 4 districts and 4 colleges; Tribal Contract Schools. 4 Tribal Schools.

Secondary Vocational

(M.S. 124.573)

Funding in 1990-91: $11.7 million State Aid (less than 1.0% of total state aid)
$0.0 million Gross Levy (0.0% of total gross levy)
$11.7 million Total Funding (less than 1.0% of total funding)

State and Local Shares: The excess-cost state aid formula provides funding to qualifying districts as follows: 75% of the difference between the approved vocational instructional salaries and 50% of the general education revenue attributable to vocational average daily membership (ADM) and 30% of approved expenditures for: contracted services, travel between instructional sites, professional development travel, student organization travel, curriculum development activities, and specialized instructional supplies. The district pays the balance of the costs.

Extent of Participation: 318 school districts/cooperatives.

Community Education

(M.S. 121.85-121.88; 124.2713)

Funding in 1990-91: $3.3 million State Aid (less than 1.0% of total state aid)
$24.7 million Gross Levy (1.6% of total gross levy)
$28.0 million Total Funding (less than 1.0% of total funding)

Description: A district's community education revenue is the sum of the district's general community education revenue, youth development plan revenue, and youth service revenue. The general community education revenue for a district equals $5.95 times the district's population, but not less than $7,943. The youth development plan revenue for a district with a plan approved by the local school board is 50 cents times the district's population, but not less than $668. Youth service revenue that has implemented a youth development plan and a youth service program is 25 cents times the district's population, but not less than $334.

State Share: A district's maximum community education aid equals the maximum community education revenue minus the maximum community education levy. If a district levies less than the maximum amount, state aid is reduced proportionately.

Local Share: To receive the maximum community education revenue, a district must levy an amount equal to the lesser of the maximum revenue or 0.8% of the district's AGTC.

Extent of Participation: 420 districts have general community education programs, 310 districts have youth development programs, and 291 districts have youth service programs.

Adult Education Programs

Funding in 1990-91: $6.7 million State Aid (less than 1.0% of total state aid)
$5.7 million Gross Levy (less than 1.0% of total gross levy)
$12.4 million Total Funding (less than 1.0% of total funding)

Adult Basic Education
(M.S. 124.26)

State Share: Aid is equal to 75% of approved salaries of adult basic education teachers, counselors, coordinators, and nonlicensed instructional staff, plus 75% of approved expenditures for benefits, contracted services, and materials.

Local Share: Districts may levy an amount not to exceed the amount raised by a net capacity rate of 0.16% times the AGTC of the district for the preceding year.

Extent of Participation: 71 districts; 17,000 participants

Adults with Disabilities
(M.S. 121.88 Subd. 6-7; 124.2715)

State Share: State aid provides the lesser of $30,000 or 50% of the actual expenditures.

Local Share: The district is required to match this aid amount either through a local levy or through other local sources.

Extent of Participation: 376 districts; 16,737 participants.

Diploma Opportunities For Adults
(M.S. 120.06, Subd. 3; 124.17, Subd. 2e; 124.261; 126.22 Subd. 2d and 3)

State Share: Adult graduation aid for eligible pupils age 21 and over, equals 65% of the General Education formula allowance time 1.35 times the average daily membership. Adult Graduation Aid is paid by the state in addition to any other aid to the district.

Local Share: Balance of costs.

Extent of Participation: 1,320 participants.

Hearing Impaired Adults
(M.S. 121.201)

State Share: State provides funding for school district and private agency claims for hearing impaired services rendered.

Local Share: None.

Extent of Participation: 200 public and private agencies

School Lunch Aid
(M.S. 124.646)

Funding in 1990-91: $4.6 million State Aid (less than 1.0% of total state aid)
$0.0 million Gross Levy (0.0% of total gross aid)
$4.6 million Total Funding (less than 1.0% of total funding)

Description: This program provides required state matching funds to assure the continuation of federal assistance funds for the National School Lunch Program.

State Share: State aid reflects 7.5 cents plus the amount per fully paid lunch required to be allocated for the fiscal year in order to meet the state revenue matching requirement.

Local Share: None.

Extent of Participation: 426 school districts and 259 private schools

Miscellaneous State Categorical Programs

PER Process	$1.0 million
Abatement	6.0 million
Public Libraries	6.1 million
Management Information Centers	3.4 million
Minnesota School of the Arts & Resource Center	6.0 million
Early Childhood Screening	0.6 million
Education Effectiveness	0.6 million
PER Assistance	0.6 million
Curriculum and Technology Integration	0.6 million
Educational Cooperative Service Units	0.7 million
Restructuring Research and Development Sites	0.8 million

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Funding in 1990-91: $29.0 million (1.3% of total state school aid)
(Includes estimates for tax deductions)

Description: Nonpublic pupils receive services under 7 state programs.

1. Nonpublic Pupil Aid (M.S. 123.931-123.947). Under this program, school districts are reimbursed for the costs incurred in obtaining the educational materials that are loaned to the nonpublic pupil or for the costs incurred in providing pupil support services to the nonpublic pupil. The maximum reimbursement is limited to an amount equal to the statewide average expenditure per public pupil in the second prior school year multiplied by the number of nonpublic pupils served. Districts are provided an additional 5% of the reimbursed amount to offset the cost of administering the program.

2. Shared Time Program (M.S. 124A.034). Nonpublic pupils may be admitted by school districts to public school programs for part of the school day. These pupils earn a shared-time portion of the general education aid for the district.

3. Transportation Program (M.S. 123.76-123.79). School districts are required to provide "equal transportation" to nonpublic school pupils. Public schools are also permitted to transport nonpublic school pupils to regular shared-time programs and must transport handicapped nonpublic pupils to and from the facility where special education is provided.

4. Tobacco Use Prevention Program (M.S. 124.252). Each school district with a tobacco use prevention program based on the criteria in state law is eligible for aid. If the district program includes the participation of nonpublic pupils, staff, or parents, district funding is increased accordingly.

5. School Lunch Program (M.S. 124.646). State funds are used to meet matching requirements of the United States Department of Agriculture National School Lunch Program.

6. School Milk Program (M.S. 124.648). State funds are provided to pay, in part or in total, the cost of serving 1/2 pint of milk per day to kindergarten students.

7. State Income Tax Deductions (M.S. 290.001). Taxpayers who itemize deductions may deduct from gross income the amounts they spend for tuition, secular textbooks, and transportation of dependents attending public or

nonpublic elementary or secondary schools in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin. The maximum deductions are $650 per dependent in Grades K-6 and $1,000 per dependent in Grades 7-12.

State Share: Varies with program.

Local Share: None.

Extent of Participation: In FY 1991, approximately 85,000 students participated in nonpublic pupil programs.

XII. PREKINDERGARTEN EDUCATION

Early Childhood Family Education (ECFE)

(M.S. 121.882; 124.2711; 275.125, Subd. 8b)

Funding in 1990-91:	$10.3 million State Aid (less than 1.0% of total state aid)
	$13.8 million Gross Levy (less than 1.0% of total gross levy)
	$24.1 million Total Funding (less than 1.0% of total funding)

Description: Maximum revenue is equal to $87.75 times the population (age birth to 4) but not less than $13,162.50 per district. For FY 1991, the statewide ECFE programs were supported 56% with local levy and 44% state aid.

State Share: Aid is equal to maximum revenue minus levy, with a proportionate reduction in aid for any underlevy.

Local Share: Levy is equal to the lesser of maximum revenue or .4% times the AGTC.

Extent of Participation: 365 school districts.

XIII. LOCAL SCHOOL REVENUE

The property tax is the only local tax that funds schools. In 1990-91, gross property tax levies certified by school districts totaled $1,544.7 million. The state pays a portion of gross school levies through property tax relief aids paid to school districts. In 1990-91, state-paid property tax relief to school districts totaled $210.8 million. The portion of the school levy remaining after subtracting the state-paid property tax relief aids, called the "net levy," is collected through the property tax system. School district net levies totaled $1,333.9 million in 1990-91.

In addition to payments made to school districts, homeowners and renters receive property tax relief based on the relationship of the property tax on the home or rental unit to total household income. This relief is paid directly to the individual by the state. In order to be eligible for the refund, a person's property tax must be more than a specified percentage of household income. Above that level, the state will pay a percentage of the tax, up to a maximum refund. The percent of income, percent of state payment, and maximum refund depend upon the income of the claimant. As the claimant's income increases, the amount the state pays decreases. Eligibility for the property tax refund is limited to claimants with incomes under $60,000 for homeowners and under $35,000 for renters.

M.S. 273.11 requires that all taxable property (with certain exceptions) be valued at its market value. County assessors determine the estimated market value of taxable property as of January 2 of each year. One-fourth of the parcels within a taxing district are assessed each year so that all parcels can be reassessed at least once every four years. The properties are also assigned a classification according to how the property is used (e.g., commercial, residential homestead, agricultural). Each classification has a gross and net classification percentage rate that is applied to the market value to determine the gross and net tax capacity value. The classification percentages used in computing gross tax capacities are higher than those used in computing net tax capacities for residential homestead and agricultural properties.

To adjust for differing local assessment practices, the State Department of Revenue conducts a sales ratio study each year. This study compares assessor's market values with actual sales prices of properties sold over a 21 month period. The tax capacities are adjusted by the results of the sales ratio study. The results are called Adjusted Gross Tax Capacity (AGTC) and Adjusted Net Tax Capacity (ANTC). ANTC is used in computing the general education, capital expenditures facilities and equipment, and basic transportation levies for 1990-91; AGTC is used in computing all other school levies for 1990-91. Beginning in 1991-92, ANTC is used in computing all school levies.

Homestead and Agricultural Credit Aid (HACA)
(M.S. 273.1398)

State-paid property tax credits for schools include Homestead and Agricultural Credit Aid (HACA), Disparity Reduction Aid, and several smaller credits. HACA replaces the homestead credit and agricultural credit programs beginning in FY 1991. The homestead and agricultural credit provided property tax relief to owners of residential and agricultural homesteads by providing a credit against the gross tax computed for their individual property; school districts received state aid to offset the reduction in school levies attributable to these credits. Under the new system, school districts receive HACA payments based on adjusted FY 1990 tax data, and these payments reduce the school's overall tax rate. Tax relief is provided to owners of residential and agricultural homestead property by reducing the percentages used in computing net tax capacity for these property types relative to other property types. The effect of this change is to sever the link between current tax levies and the amount of state-paid property tax relief, thereby strengthening district incentives to control growth of property taxes.

Disparity Reduction Aid
(M.S. 273.1398, Subd. 3)

Description: Disparity reduction aid reduces the total tax rate of unique taxing jurisdictions that have relatively high tax rates. Disparity reduction aid is equal to the previous year's disparity reduction aid multiplied by the ratio of 1) the jurisdiction's tax capacity using class rates for taxes payable in the year for which aid is being computed, to 2) its tax capacity using the class rates for taxes payable in the prior year, both based upon market values for taxes payable in the prior year. School debt service and excess referendum levies are excluded from gross taxes payable for purposes of allocating disparity reduction aid.

State Share: $13.7 million.

Local Share: None.

Extent of Participation: 432 districts (100%)

Taconite Homestead Credit
(M.S. 273.134; 273.135)

Description: Homeowners in a taconite property tax relief area have their property taxes reduced by the taconite homestead credit. The taconite homestead credit is subtracted from each homestead taxpayer's gross property tax.

State Share: None. Taconite production tax revenues are used to fund this credit. In FY 1991, the credit was $3.0 million.

Local Share: None.

Extent of Participation: 20 districts (5%)

Attached Machinery Aid
(M.S. 273.138 Subd. 3)

Description: Attached machinery (tools, implements, machinery, or equipment which is attached to or installed in real property for use in business or production) is exempted from real property taxation. Attached Machinery Aid replaces the revenue which school districts lost as a result of this exemption.

State Share: $0.8 million.

Local Share: None.

Extent of Participation: 432 districts (100%)

Other Credits

Enterprise Zone Credit M.S. 273.1312; 273.1314; Disaster Credit M.S. 273.123; Agricultural Preserves Credit M.S. 473H.10.

XIV. TAX AND SPENDING LIMITS

The state of Minnesota limits the amounts that school districts can levy for general education and each categorical funding program. Formulas for computing the maximum levy for each funding category are specified in state law. The state Department of Education determines the maximum levy for each school district by funding category and certifies this information to school districts and county auditors. School districts may increase the amounts levied for general education or debt service with approval of district voters in a referendum election. Approval can be open-ended or for a specific time period. In 1990-91, 282 districts had an authorized levy which 279 districts used. In 1991-92, 290 districts had an authorized levy which 284 districts used.

XV. EARMARKED STATE REVENUE

State aids and tax credits are paid out of Minnesota's General Fund. Additional funds from the Permanent School Fund (Endowment Fund) are also available for school revenue.

MISSISSIPPI

Smith Sparks, Director
Bureau of School Support
Mississippi Department of Education

I. GENERAL BACKGROUND

State

- The revenues for public education in Mississippi as a percent of the state's general fund have slowly declined during the past 5 years ranging from a high of 46.4% in 1986-87 to 45.1% in 1990-91. The major sources of revenue that make up the state's general fund are sales tax, individual income tax, corporate and franchise tax and oil and gas severance tax. There have been no substantial changes in the sources of revenue during the past 5 years.
- Mississippi continues to use the minimum foundation concept for the major share of funding for public education. This program was enacted in 1953 and provides for classroom teacher units based on average daily attendance.
- The state also provides approximately $50 per homestead exemption application filed to reimburse local school districts for loss in ad valorem tax revenues.
- Conservatorship (Mississippi Code, Section 37-17-6): The 1991 Legislature enacted new legislation which authorizes the State Board of Education to implement a program of development for schools failing to meet accreditation standards. If corrective action is not taken by the end of a probationary period, the State Board of Education, acting through the Accreditation Commission, is authorized to withdraw a district's accreditation. The State Board of Education, after a state of emergency is declared in a disaccredited district, is authorized to select from the following actions: escrow some or all of state funds; override a local board decision on the budget or expenditures; assign an interim conservator to administer the operation of the school term; grant transfer to students; abolish the district.
- Alternative School Programs: The 1991 Legislature enacted new legislation that will require all school districts to establish an alternative school program for the following categories of students: (1) Any compulsory school age child (under the age of 17 years) referred to the program by any chancellor or youth court judge including, but not limited to nonviolent juvenile offenders confined in any youth court detention facility; (2) Any compulsory-school-age child who has dropped out of school in violation of the compulsory school attendance law, has been suspended or expelled from school, or committed disciplinary infractions which will result in expulsion from school; (3) Any compulsory school age child referred to such alternative school by the parent, legal guardian or custodian of such child due to disciplinary problems. The operating expenses of the alternative school programs are to be paid from funds contributed or otherwise made available to the school district for such purpose or from local district maintenance funds.

Local

(Mississippi Code, Section 37-57-1, et. seq.)

- There are 151 operating school districts in the state all of which are fiscally dependent. School districts must petition local taxing authorities to levy and collect taxes for them. County unit systems generally have elected superintendents and elected school board members. Municipal and consolidated unit systems have appointed superintendents and appointed school board members.

- Property tax constitutes the sole source of local tax revenues. For the 1988-89 school year the number of mills levied for current operation ranged from a low of 15.99 mills with a $18,158.11 wealth per ADA to a high of 60 mills with a $13,495.99 wealth per ADA. The statewide disparity in wealth per ADA ranged from a low of $4,824.68 with 51.63 tax mills to a high of $ 455,826.87 with 28.57 tax mills.

Funding Summary, 1990-91

Total State Aid (All Programs)		$837 million
Grants in Aid	729 million	
Teacher Retirement Contributions*	56 million	
FICA*	52 million	
Total Local School Tax Revenue		493 million[1]
Total Combined State and Local School Revenue		1,330 million
State Financed Property Tax Credits Attributable to School Taxes	30 million	

*Teacher retirement contributions and FICA are paid as part of the MEP but have been shown separately for purposes of this summary.

[1] Includes $325.9 million in property tax revenue and other non-tax revenues.

II. THE BASIC SUPPORT PROGRAM

Minimum Education Program

Funding in 1990-91: $768.6 million (88.7% of total state school aid)

Nature of Program: Foundation program known as the Minimum Education Program. (Mississippi Code, Section 37-91-1, et. seq.)

Units: Teacher units

Local Fiscal Capacity: Economic Index. Factors included in the Economic Index are:

County's Percent of	Times	Weight
Assessed valuation of public utilities in the state		.242152
Retail sales tax paid in the state		.242152
State total motor vehicle license receipts		.044144
Total value of farm products sold		.065110
State total personal income taxes paid (average percent)		.142688
State total of gainfully employed nonfarm, nongovernmental workers		.222936

The Economic Index is recalculated every 2 years. Distribution of the index between county units and separate school districts within the county is determined by the percent of the county's total assessed valuation relative to each district.

How Formula Operates: The Minimum Education Program (MEP) provides salaries for classroom teacher units based on average daily attendance as follows:

Regular Classroom Teacher Units:

- 1 teacher unit per 24 students in ADA for kindergarten and grades 1-4.
- 1 teacher unit per 27 students in ADA for all other grades.

ADA counts are based on the prior school year or for the 2nd and 3rd months of the current, whichever is greater.

Special Education Units:

- Adds an additional full teacher unit for each State Department of Education (SDE) approved program. (Includes gifted and talented programs).

Vocational Education Units:

- Adds an additional 1/2 teacher unit for each SDE approved program.

Enrollment in kindergarten and grades 1, 2, 3, and 4 is restricted to 27 students per class at any time during the school term unless a "hardship" waiver is granted by the State Board of Education.

Once the number of ADA teacher units is determined, the state funds are allocated (based on the legislated statewide minimum salary schedule) to individual teachers employed in each district who have the highest certificate level and most years of experience. This means that the state MEP funds received by a district are calculated based on a district's higher teacher salaries, leaving the less costly salaries to be paid from local school district funds. Special education and vocational education teachers are funded based on the certification level and the number of years teaching experience of the individual teacher employed.

The fixed statewide minimum salary schedule is based on the type of certificate held and the number of years of teaching experience of the teacher. The schedule includes 4 levels of certification and up to 19 years of annual experience salary increments.

Teacher Certification	*Beginning Salary*	*Maximum Salary*	*Years to Reach Maximum Salary*
Bachelor's	17,875	23,500	15
Master's	18,675	27,225	19
Master's (plus 30 hrs)	19,475	28,975	19
Doctorate	20,275	30,725	19

In addition to salaries, MEP provides each district an allocation for "administration" cost, support service cost (non-salary), and fixed charges (Social Security and state retirement). An allotment for transportation cost is also included (see Section III. Transportation). These allotments include:

- District Administration. A sum of $15,000 plus $50 for each teacher unit in excess of 50 units, not to exceed $25,000.
- Local Administration. A sum of $75 per year for each teacher unit.
- Supportive Services. A sum of $3,625 per teacher unit.
- Transportation. An allotment based on a density formula and approved rate table.

- Fixed Charges. The employer's share of Social Security and State Retirement (current rate less 1.5%) for all salaries paid from the MEP.

The MEP sets a "minimum school term" of 180 days of school in which both teachers and pupils are in regular attendance for scheduled classroom instruction.

The plan, under Mississippi Code, Section 37-21-1, et. seq., also establishes the Mississippi Reading Improvement Program (Assistant Reading Instructors). Each school district is allotted one assistant teacher unit per 24 students in average daily attendance in grades 1, 2, and 3. However, the superintendent of each school district may assign the assistants to grades kindergarten, 1, 2, or 3 in a manner that will promote maximum efficiency. The assistants aid pupils in actual instruction under the strict supervision of a certified teacher.

State Share: The state share is equal to the calculated MEP amount minus the required local share. In no case shall the total state funds provided in any year for the support of the MEP in any county be less than 40% of the cost of the MEP for that county or school district.

Local Share: The statutes fix a set amount of local ad valorem tax contribution toward the total cost of the MEP. For 1990-91, the aggregate amount of local ad valorem contribution to be made by all counties and separate districts was $19.25 million; 2.5% of the total cost of the MEP. The required local share is determined by multiplying the local Economic Index times the $19.25 million.

In addition to the ad valorem contribution, the state collects severance tax on oil, gas and timber. An amount fixed by law is retained by the state and the remainder is returned to the taxing authority. Approximately one-half of the amount returned to the taxing authority must be placed in the school district's funds as an additional contribution to the minimum foundation program.

Local school districts may supplement teacher salaries beyond the minimum salary schedule from local funds. The local supplements range from a low of $1 per-year to more than $4,000 per-year.

Adjustments for Special Factors: None.

Weighting by Grade Level: None.

Districts Off Formula: None.

Uniform Millage Assistance Grant

Funding in 1990-91: $16.0 million (1.9% of total state school aid)

Description: In 1989, the Mississippi State Legislature created an act known as "Mississippi School District Uniform Millage Assistance Grant Program" (Mississippi Code, Section 37-22-1, et. seq.). It was the intent of the Legislature that "through this grant program, each student counted in average daily attendance in the public schools in Mississippi shall have equal access to funds generated by a uniform minimum school district ad valorem tax levy." The Act became effective for the 1990-91 school year.

There are 3 critical elements of UMAG: (1) uniform "minimum ad valorem tax levy", (2) "maximum yield" at the uniform minimum ad valorem tax levy, and (3) individual student entitlement.

Under the minimum ad valorem tax levy, each school district is required to levy the minimum millage which the State Board of Education shall determine each year or the millage necessary to produce the maximum yield whichever is less. Until June 30, 1992, the minimum millage is the statewide combined average of operational levy for the preceding fiscal year less 4 mills. After July 1, 1993, the uniform minimum ad valorem tax levy shall be the amount of millage certified by the State Board of Education for the 1992 fiscal year.

For the 1990-91 school year, the State Board of Education set the minimum ad valorem tax levy at 28.33 mills and individual student entitlement rate of $463 per child. This is the estimated amount 28.33 mills applied to total state taxable assessed valuation would produce divided by state aggregated ADA. This means that for the 1990-91 school year each school district must levy 28.33 mills or the amount sufficient to produce $463 per ADA whichever is less. There is a provision that if a school district was levying less than the uniform minimum school district ad valorem tax levy on July 1, 1989, or a millage rate necessary to generate the maximum yield rate, the district shall only be required to increase its levy in 4 mill annual increments in order to attain the minimum millage requirements.

State and Local Shares: Before the state provides any UMAG funds to a district, other local sources of revenue are considered in determining the $463 per ADA level. If a district's ad valorem tax levy applied against its assessed valuation does not produce the $463 and the district has other local sources of revenue when added together with the ad valorem taxes collected produces the $463, then the district gets no additional state funds. However, if the district's ad valorem taxes collected plus other local sources of revenue do not produce the $463, then the state contributes the amount required to bring the per child allocation up to the $463 individual student entitlement.

Under Mississippi's plan, there is no "recapture" or "redistribution" of local wealth. A district having high wealth plus a high tax levy keeps all funds generated. It is possible for a district having a high tax levy with a small assessed valuation and limited other local revenue to receive UMAG funds.

There is a second level funding program with provides additional funds (regardless of local wealth) to any county where there is only one school district located therein. The underlying rational is to bring about voluntary district consolidation. For the 1990-91 school year, the allocation for the second level funding was $27 per ADA.

Extent of Participation: 105 districts

III. TRANSPORTATION

Funding in 1990-91: $36.6 million (4.4% of total state school aid)

This amount is included in the MEP funding amount shown in Section II.

Description: (Mississippi Code, Section 37-19-23). The allotment for transportation through the MEP is based on a density formula (the number of ADA transported per square mile of the district) and a State Board of Education rate table. The rate table provides greater amounts per pupil in districts with fewer pupils transported per square mile.

State and Local Shares: The state share is equal to the calculated amount. The district assumes the remaining costs. The state/local share of the total cost of transportation has changed from 82% state and 18% local in 1980-81 to 53% state and 47% local in 1990-91. The State Board of Education is currently considering new and innovative plans for increasing state support for transportation for consideration by the 1992 Legislature.

Extent of Participation: 150 districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Public School Building Fund

(Mississippi Code, Section 37-47-1, et. seq.)

The public school building fund was established in 1953 to provide state funds for capital improvement of schools in the state. Capital improvements include "the cost of erecting, repairing, equipping, remodeling and enlarging school buildings and related facilities." This program assists school districts in defraying the costs of capital improvements necessary to provide adequate school facilities. The financial structure of the state public school building fund is made up of three interlocking, yet distinct features: (1) annual grants to school districts; (2) legislative funding of the program; and (3) state school bonds.

Annual Grants. The 1975 Legislature increased the annual grants from $12 to $18 per student in average daily attendance. These grants are to "be applied for the purpose of establishing and maintaining adequate physical facilities for the public school system". In addition to the grants which accrue annually, school districts are also allowed to borrow in anticipation of future grants. The State Board of Education is authorized to lend districts a maximum of 75% of the estimated grants which will accrue to the districts within the next 20 years, or until July 1, 2009, whichever shall first occur. Such loans bear interest at the rate of 2.5% per year, or the average interest rate which the state pays on its school bonds, whichever is higher. All grants and loans made to school districts must be expended on projects approved by the State Board of Education.

Legislative Funding. Legislative funding for this program is through a diversion of state sales tax. Although the Legislature adopted the program of providing annual grants to school districts in 1953, no state funds were provided until the 1955 Legislature set aside $555,000 per month. During the intervening 35 years, this monthly allocation of sales tax diversion was increased to $1 million per month. In 1989, this diversion was reduced to its present level of $833,333 per month. From this monthly allocation of state sales taxes, the State Public School Building Fund is required to pay the principal and interest for the retirement of outstanding state school bonds first. The balance of the allocation may be expended on school construction projects. In 1990-91 school year, 84.75% of the funds were used for principal and interest repayment. It is estimated that 98.65% of the 1991-92 funds will be used for principal and interest repayment.

State School Bonds. Approximately 75% of the funds used to finance capital improvement projects in school districts comes from the sale of state school bonds. The 1953 law which established the public school building fund provided a limit of $10 million in state school bonds which could be outstanding at any time. This limit has been raised by the Legislature several times to the present limitation of $100 million. The interest rate on state school bonds has gradually increased from a low of 2.6806% in 1958 to 6.4285% in 1981. Presently the maximum interest rate, set by statute, is 7% per annum.

School Bonds and Obligations
(Mississippi Code, Section 37-59-1, et. seq.)

In addition to receiving capital outlay funds through the state public school building fund, the school boards are authorized to issue negotiable bonds for capital improvement purposes. The amount of outstanding bonded indebtedness is limited to 15% of the assessed value of the taxable property within such district. A referendum is required before any money can be borrowed under this provision. Sixty percent of the qualified electors who vote in such election must vote in favor of the issuance of bonds.

Other Debt Service
(Mississippi Code, Section 37-59-101, et. seq.)

A school district also has authority to execute negotiable notes or certificates of indebtedness for the purpose of making repairs, alterations and additions to school building, purchasing heating plants, fixtures and equipment, purchasing land for school purposes, school buses and transportation equipment, improving and equipping school lands for recreational and athletic purposes, and for air conditioning school buildings. The amount that can be borrowed under this provision is limited to the dollar amount (principal plus interest) that a 3 mill tax levy levied for no more than 10 years would repay. By giving notice of intent, the school district may levy the additional mills without referendum unless there is a petition signed by not less than 20% of the qualified electors calling for an election on the matter and approved by 60% of those voting in the election.

V. TEACHER RETIREMENT

Funding in 1990-91:	Retirement	$56 million (6.7% of total state school aid)
	FICA	$52 million (6.2% of total state school aid)

These amounts are included in the MEP funding amount shown in Section II.

Description: A separate state agency, the Public Employee's Retirement System of Mississippi, administers the state retirement program. It was created in 1952. It is a self-funded actuarial reserve type system and by statute was created as a pension trust fund. (Mississippi Code, Section 25-11-101, et. seq.)

State and Local Shares: The current employer rate for retirement contributions is 9.75% of salaries; of this the MEP pays 8.25% with the district paying the remaining 1.5%. The current employee rate of retirement contribution is 7.5% of salary on maximum earnings of $75,600. The state pays the full share of employer cost for Social Security on all MEP funding elements used for salaries.

Extent of Participation: All districts

VI. SPECIAL EDUCATION

The MEP program provides $109 million (13% of total state school aid) in Special Education aid. In addition to the funding provided for special education units through the MEP (see section II) the state also provided funding for the following special education programs.

University Based Programs

(Mississippi Code, Section 37-23-31)

Funding in 1990-91: $0.7 million (less than 1.0% of total state school aid)

Description: When 5 or more children under the age of 21, who because of deafness, aphasia, emotional disturbance and/or other low-incidence conditions, are unable to have their educational needs met in a regular public school program, and a special education program in their particular area of exceptionality is not available in their respective local public school districts, a state-supported university or college shall be authorized and empowered, in its discretion, to provide a program of education, instruction and training to such children, provided that such program shall operate under the rules, regulations, policies and standards adopted by the state department of education.

Mississippi School for Deaf/Blind

Funding in 1990-91: $6.5 million (less than 1.0% of total state school aid)

Description: The State Board of Education administers two residential schools — one for the deaf and one for blind and visually impaired children. The schools teach blind and deaf students independent living skills, academics and vocational studies in a residential setting.

Learning Resource Centers

(Mississippi Code, Section 37-23-101, et. seq.)

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: The state provides seven regional centers to provide evaluation and screening services to exceptional (handicapped and gifted) students for all local school districts.

Educable Children

(Mississippi Code, Section 37-23-61)

Funding in 1990-91: $0.78 million (less than 1.0% of total state school aid

Description: The Educable Child program provides funds to help educate handicapped children placed in private/parochial schools and in private language/speech clinics. There are 3 types of programs funded:

1. Parent Placements. If a parent places an eligible handicapped child in a program approved by the State Department of Education, that parent can be reimbursed $700 for tuition if the child is in the 5 through 20 age range regardless of whether there is a local school district program available for that child. If the handicapped child is under age 5, the tuition reimbursement will be $1,000 if there is no local school program available for that child and $600 if there is a local program available.

2. Local School District Placements. If a handicapped student in the 5 through 20 age range cannot receive an appropriate education in the local school district where they reside and that district places the student in a State Department of Education approved program, the school district is reimbursed $3,000 for tuition for placement of that student. Local school district personnel must justify the need for an out-of-district placement and must show that available state and local programs have been considered and that a program adequate to meet the student's needs cannot be provided locally.

3. Welfare Placements. When the Department of Public Welfare has been given custody (by court order) of a handicapped child in the 5 through 20 age range and places that child in a private residential school because no foster home can be found for the child, then the actual cost of that student's education in the residential school is reimbursed.

Extended School Year
(Mississippi Code, Section 37-19-5)

Funding in 1990-91: $0.37 million (less than 1.0% of total state school aid)

Description: Additional funds are provided for each handicapped child who is being educated by a public school district and whose individualized educational program (IEP) requires an extended school year in accord with the State Department of Education criteria. The additional cost of these programs, offered during the summer months, is fully reimbursed.

VII. COMPENSATORY EDUCATION

Remediation
(Mississippi Code, Section 37-20-1 et. seq.)

Funding in 1990-91: $0.45 million (less than 1.0% of total state school aid)

Description: A limited amount of funds is provided to school districts which have a high percentage of students who fail the Functional Literacy Examination (FLE). Funding is based on the number of students who fail the exam divided into the appropriation made available. These funds must be used to provide remediation services. The $0.45 million is included in the Education Reform Act appropriation (section X).

VIII. GIFTED AND TALENTED EDUCATION
(Mississippi Code, Section 37-23-171)

Funding for teacher units for gifted and talented programs is through the MEP. New legislation requires all local school districts to have programs for gifted education beginning with the 1992-93 school year provided sufficient funds are appropriated by the Legislature. In addition to the MEP the state funds the following programs.

Mississippi School for Mathematics and Science
(Mississippi Code, Section 37-139-1, et. seq.)

Funding in 1990-91: $2.7 million (less than 1.0% of total state school aid)

Description: The Mississippi School for Mathematics and Science (MSMS) is a state supported, residential high school for academically able students housed on the campus of the Mississippi University for Women in Columbus, Mississippi. Students are recruited during their sophomore year and spend their junior and senior years at MSMS. The MSMS offers an expanded academic program with course offerings ranging from entry level through advanced placement in each subject discipline. The overall objective is to provide bright Mississippi students with a challenging college preparatory background. The 1991-92 school year will be the fourth year of operation.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

In addition to the 1/2 teacher unit for each approved program of vocational and technical education provided through the MEP, the state funds the following programs.

Vocational Education
(Mississippi Code, Section 37-31-1, et. seq.)

Funding in 1990-91: $20.2 million (2.4% of total state school aid)

Description: Through a separate appropriation, local school districts are reimbursed for salaries of approved ongoing vocational and technical instructors, counselors and administrators who are employed by a local public school district.

State and Local Shares: The state will pay:

1. 49% of the state's minimum salary extended from 9.5 to 12 months' employment for skill programs, diversified technology instructors, and complex counselors.
2. 40% of the state's minimum salary schedule extended from 9.25 to 10 months' employment for basic vocational program instructors.
3. 20% of the state's minimum salary schedule extended from 9.25 to 10 months' employment for enrichment program instructors.
4. 100% of the minimum salary schedule extended up to 12 months' employment for vocational directors and assistant directors.

Vocational funding for the Mississippi School for the Deaf and the Mississippi School for the Blind is 100% of the state's minimum salary schedule extended up to 12 months' employment of approved vocational instructors, vocational counselors, and vocational administrators.

The state also provides 100% reimbursement for specific approved equipment, supplies and other expenses necessary for the provision of vocational and technical education.

Textbook Procurement
(Mississippi Code, Section 37-43-1, et. seq.)

Funding in 1990-91: $9.7 million (11.2% of total state school aid) (Includes $2.0 million from a special fund.)

Description: Mississippi provides "free" textbooks to students in public schools and eligible private schools. The books are owned by and distributed through the State Board of Education and are "loaned" to pupils at no cost. A privately operated warehouse/distribution center facilitates the delivery of this service. There is a rotating 6 year adoption procedure. Under the adoption procedure, the Governor appoints 3 members and the State Superintendent of Education appoints 4 members to rating committees who recommend up to 8 publishers in each subject area. Local school districts may adopt any of the state adopted textbooks. The 1990 Legislature made provisions that up to 25% of a district's textbook allocation may be used to purchase developmental, advanced placement, and distance learning textbooks; computer software; and state adopted used textbooks outside the adoption process.

State and Local Shares: During the 1990-91 school year, the state provided $18.45 per child in average daily attendance during the 1989-90 school year. Additional textbooks and supplemental teaching materials are provided through the local funds of the school district. Private and parochial schools which are state accredited receive "free" textbooks through this program.

Comprehensive School Health Education
(Mississippi Code, Section 37-13-131)

Description: The Mississippi Legislature, during the 1990 session, authorized the State Department of Education to develop and administer a Comprehensive School Health Education Program as a curriculum in the public schools. The curriculum is to be gradually phased in with full implementation completed by the 1995 fiscal year. A contract to develop an instructional plan for the Comprehensive Health curriculum will be issued. This plan will include teaching methods, materials, evaluation methods and test items for the objectives in the curriculum. A contract for evaluation will also be issued to evaluate the effectiveness of the curriculum. The intent of the program is to motivate students to maintain their health and promote wellness among themselves and their peers.

Education Reform Act

Funding in 1990-91: $4.6 million (less than 1.0% of total state school aid)

Description: The Education Reform Act of 1982 is a comprehensive strategy for the improvement of public education in Mississippi. The Education Reform Act specifies that the educational policy of the State of Mississippi include that public schools must produce a functionally literate population; must establish, raise and maintain educational standards, must ensure that all students master the essential parts of a basic education; and must emphasize early mastery of the skills necessary for success in school. In continuing to fulfill the goals and objectives of the Reform Act, the State Department of Education must provide a performance-based accreditation system; continued development and revision of staff development materials; teacher certification rules and criteria that include the National Teachers Exam testing, on-the-job assessment, and the required staff development; continued research in regard to dropout prevention programs; update data on teaching out-of-field, emergency certificates information, and other issues related to teacher supply and demand in Mississippi; an Executive Management Institute that provides continuing training of all school administrators; Instructional Management Assistance that reviews proposed policy recommendation, advises as to their viability, identifies needed assistance for schools and communicates information; a personnel appraisal system; staff development to assist local districts to improve staff development programs based on needs substantiated by accreditation data; a state wide testing program; remediation programs that will provide nationally validated school based intervention programs; and continue to study the Mastery of Subject Matter with focus on the need for district-wide and school-wide objectives in every subject and every grade; the need for subject-to-subject and grade-to-grade linkage of objectives and development and use of district-wide tests matched to objectives.

Writing-To-Read Grant

Funding in 1990-91: $0.95 million (less than 1.0% of total state school aid)

Description: The Writing-to-Read Matching Grant matches funds previously made available to Reading Mississippi, Inc. by the Riordan Foundation for the purpose of purchasing and installing learning centers in the public kindergarten and grammar schools of Mississippi.

Sixteenth Section Trust Land

Funding in 1990-91: $4.8 million (less than 1.0% of total state school aid)

Description: Reforms in the administration of Sixteenth Section trust land administered by local school boards have brought about an increased in revenue over the past 10 years. Since 1983 the revenue from rents and leases of Sixteenth Section Land has increased from $6.9 million to $8.75 million in 1990. An area of the state representing approximately 32 school districts was allowed to sell Sixteenth Section Land in the early 1800s and the proceeds were used in investment in various railroad companies. Non-productive "lieu lands" were established in lieu of the privately owned parcels. These lieu lands were largely unmanaged and provided little or no income to the schools. The railroad companies eventually defaulted in payments or made settlements with worthless paper almost resulting in a total loss in revenue. A group of school districts were successful in a suit against the state for loss of revenue and since 1985 have received a general fund appropriation in an amount equal to the average per-teacher amount of revenue in the districts that have Sixteenth Section trust land.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

There is no state general fund appropriation to aid private schools. State accredited private schools do receive "free" state owned textbooks (see X. Other Categorical — Textbook Procurement) and special education programs that are not offered through the local public school may receive a limited amount of state funds (See Section VI — Special Education — Educable Children).

XII. PREKINDERGARTEN EDUCATION

There is no state general fund appropriation for pre-kindergarten education. Special education programs for 3 and 4 year old children may be funded through the Minimum Education Program.

XIII. LOCAL SCHOOL REVENUE

Property tax is the only tax used by local school districts. The amount generated for the 1990-91 school year was $325.9 million. As prescribed in Article 112 of the State Constitution, property is assessed according to the following specifications: single-family, owner-occupied, and residential real property at 10% of true market value; all other real property at 15%; public utility property at 30%; and motor vehicles at 30%.

XIV. TAX AND SPENDING LIMITS

Local school boards may increase tax revenue up to 7% over the amount collected the previous year without a referendum. By giving notice of intent, the school district can increase up to 10% unless there is a petition signed by not less than 20% or 1,500, whichever is less, of the qualified electors calling for an election on the matter and approved by 60% of those voting in the election. The 10% increase limitation can be increased by an additional amount only when the school board has determined the need for additional revenues and has held an election on the question and the increase has been approved by 60% of those voting in the election. A school district may not reduce the amount of local tax support from the previous year and continue to receive state funds unless there has been a reduction in total assessed value of taxable property within a school district or there has been a reduction in number of teacher units.

XV. EARMARKED STATE REVENUE

Except for a very small amount set aside in a trust fund which may be used for the improvement of education within the state, there are no statutory earmarked funds for public education.

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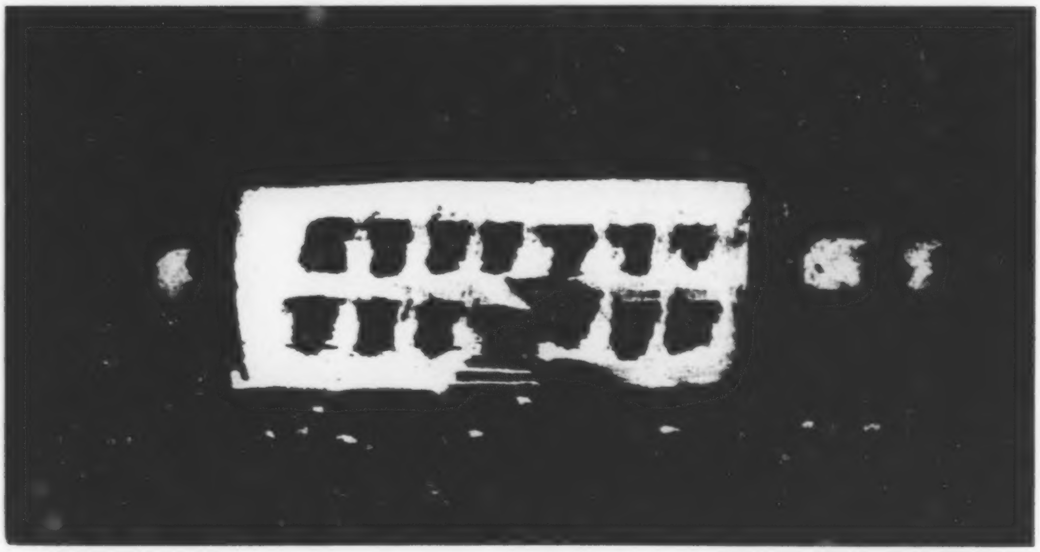
1990–1991

Volume Two



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PUBLIC SCHOOL FINANCE PROGRAMS OF THE UNITED STATES AND CANADA

1990-91

Volume 2

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and

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I. GENERAL BACKGROUND

State

- The major portion of state funds for elementary and secondary education pass through the foundation formula. During the 1990-91 school year, $1.140 billion were distributed to the schools through the foundation program. The foundation formula accounted for $869 million of that amount. These funds account for something less than 25% of all the money spent in the state on elementary and secondary education. The current formula was adopted in 1977 but has never been funded at the level envisioned at the adoption. The state portion of total money has increased slightly over that period of time.

- Missouri has had one feature of the formula, however, which has driven money quite differently than perhaps intended. The faster a district lost in attendance, in percentage, the more money per eligible pupil (EP) the district would receive the next year. That feature, coupled with the averaging of the EP factor for the past three years in the districts losing attendance, guaranteed a district declining in attendance more total dollars. That characteristic has now been corrected but past gains from it remain in place.

- There is a provision for a minimum payment through the foundation formula to districts no matter how much local wealth a district possesses. Local wealth is a deduction from the amount generated by the EP count. Property tax is the primary source of a district's local receipts. The local tax rate is affected by a state wide one cent sales tax that is distributed to districts on the basis of EP without regard to the local wealth of a district. One-half of the receipts from this source must be used to lower the local tax rate. The reduction is dollar for dollar. There are some other local taxes such as intangible tax and state assessed railroad and utility tax. The railroads and utilities are taxed at an averaged tax rate on a county basis.

- The major sources of state revenue are a sales tax and income tax on personal and corporate income. The one cent sales tax dedicated to schools is by state law a local tax which is administered by the state in all facets. Excluding this tax, Missouri schools do not levy a sales tax.

- Two court cases were filed against the State challenging the school funding formula. These 2 challenges have been combined into 1 case by the judge who will hear the lawsuit. Two other cases relate to minimum financing of the schools. One challenges a minimum tax rate required to participate in state aid formula funds. The other challenges the legality of the state providing less than 100% of the funding required for new programs. The Missouri Constitution requires such funding.

Local

- Missouri has 543 school districts. While all operate as "six director" districts, even though a few have different numbers of directors, some districts (90) limit instruction to grade levels lower than grade 9. Generally these districts offer instruction through grade 8 and pay the tuition for their students to attend another district's high school. All school districts are fiscally independent.

- Property taxes constitute the sole source of local district tax revenue.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$1,522 million
Grants in Aid	1,522 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue		2,085 million
Total Combined State and Local School Revenue		3,607 million
State Financed Property Tax Credits Attributable School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1990-91: $869 million (57.1% of total state school aid)

Nature of Program: Foundation program.

Units: Pupils. Eligible pupil (EP) count. This count is an average of average daily attendance (ADA) and the average of 2 statutory membership counts. Children from aid to dependent children families (AFDC) are weighted an additional .25.

Local Fiscal Capacity: Assessed property valuation, income, plus other tax revenues.

How Formula Operates: The foundation formula is driven by the EP count. The EP count is multiplied by 75% of the state expenditure factor (SEF). The SEF is the amount of money spent per pupil during the second preceding school year.

From the amount generated by this procedure certain local monies are subtracted. These deductions are:

1. 57% of the state pupil weighted levy (PWL) times the district's assessed valuation. (PWL is the average tax rate levied for each pupil for the second preceding year);

2. 57% of the intangible tax;

3. 57% of the fees, fines, forfeitures, escheats, etc.;

4. 28.5% of the total received for the statewide one cent sales tax (Prop C).

There is added to the district's entitlement an amount of money based on a guaranteed tax base (GTB) computation. The ninetieth (90%) percentile assessed valuation per eligible pupil is used as the base. From this GTB amount is subtracted the district's assessed valuation per pupil. The result is multiplied by the difference in 57% of the state pupil weighted levy and the district's equalized operating levy. The state pupil weighted levy (PWL) for this calculation is adjusted by the local district income factor (average income per state income tax return for the district divided by the state average income per return added to 1.0 and divided by 2). If a district's tax rate is below the adjusted state rate, or if the local district's assessed valuation is above the ninetieth percentile no money can be generated by the GTB.

Because the formula is never funded at the full amount generated for all districts, the amount each district receives is the amount received the previous year per EP plus a proration of the difference in the amount received per EP the year before and the amount per EP called for in the formula. This proration is generally a small percentage (less than 5%).

State Share: The state share is equal to the minimum guarantee minus the local deduction. To this is added the GTB add-on.

Local Share: The local share is equal to the local deduction discussed in How Formula Operates.

Since the GTB calculation cannot be less than zero, there is no required local effort share to participate in state aid except a $1.25 tax rate per $100 assessed valuation called for in another provision of state law.

Weighting by Grade Level: Children from aid to dependent children families (AFDC) are weighted an additional .25.

Adjustments for Special Factors: Missouri has a "Cost of Education" provision in the formula but it has never driven and will not drive any money and is therefore not discussed.

There is a statutory provision for averaging the last 3-year's eligible pupil counts for a school district which has a declining enrollment. Another provision allows a district gaining EP to estimate the attendance for the current year. Other districts are paid on the actual number of EP for the preceding school year with adjustments made the following year for any increase in attendance. No district's aid is based on less than the three year average or the preceding year's EP whichever is greater. No adjustments are made for a district except an income factor applied to the state PWL used as a deduction and the number of AFDC students, which generate extra state aid.

Districts Off Formula: Seven school districts in Missouri are so wealthy that they would receive no formula aid if they were not held as minimum pay districts. These districts receive $283 per EP with an annual adjustment calculation. The amount is generally about $300.

III. TRANSPORTATION

Funding in 1990-91: $108.5 million (7.1% of total state school aid)

Description: Districts are reimbursed for approved cost of only public school pupils enrolled in regular programs, special education programs, and area vocational-technical education programs (Section 167.231, RSMo). Field trips, student body activities and maintenance miles are not reimbursable.

State and Local Shares: The state uses a formula to determine approved transportation cost and reimburses the district a maximum of 80% of this amount. The formula predicts a cost for each district. Pupil density, total mileage and cost incurred by the districts with similar characteristics are used in the calculation. The district assumes the cost above state reimbursement. Districts which do not exceed 105% of the predicted cost receives 80% of the approved cost, districts exceeding 105% may receive reimbursement rates as low as 56%. All costs are based on the previous year.

Extent of Participation: All districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

General state aid is not provided for capital outlay or debt service. The local district may levy a tax rate in the capital projects fund. School districts by a vote of the residents of the district may bond the district up to 10% of the assessed valuation of the district. The Board of Education then must set a tax rate necessary to pay the principal, interest, and related yearly cost to retire the debt in a maximum of 20 years.

V. TEACHER RETIREMENT

The state does not participate in either the teacher's retirement program (teachers are not eligible for FICA) or the non-teacher retirement program or FICA for non-teaching personnel. The total cost is born by the local district and the employee. The contribution rate for teacher retirement is 20% of the teacher's salary (10% from the district and an equal amount from the employee). The state does not participate in funding retiree benefits.

VI. SPECIAL EDUCATION

Funding in 1990-91: $155.4 million (10.2% of total state school aid)

Description: The state allocates special education money to the local districts through a flat grant per adult employed in the special education program. During the 1990-91 school year, school districts received approximately $15,500 for each teacher in most special education programs. Teacher aides and ancillary personnel working in these programs generated lesser amounts of state money. Remedial reading programs were included in the special education reimbursement for 1990-91 but were placed as a stand alone programs for 1991-92. The allocation for remedial reading was approximately $9.7M based on $9,200 per teacher.

VII. COMPENSATORY EDUCATION

See Section VI — Special Education.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $15.3 million (1.0% of total state school aid)

Description: Reimbursement for gifted education cost is limited to 75% of the approved program cost. The district provides the remaining 25%.

Extent of Participation: Approximately 268 districts have gifted programs.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $25.9 million (1.7% of total state school aid)

Description: The state supports 2 types of vocational programs. Those administered as part of a comprehensive high school and the programs included in area vocational schools. The area vocational schools are part of and administered by the local school districts.

Court Ordered Desegregation

Funding for 1990-91: $273.7 million

Description: The cost of desegregation is not considered to be appropriated by the state legislature. These costs are funded with state dollars before and outside the state adopted budget. The Missouri Supreme Court has recently ruled these monies are in fact appropriated by the federal constitution.

Two separate court cases mandate the state share the cost of desegregation. One is for the St. Louis City School District and the other is for the Kansas City School District. The Kansas City case involves essentially the Kansas City school district. The St. Louis case involves the St. Louis district and 16 districts in a "Voluntary" Interdistrict Transfer (VIT) of students. Some 13,000 students are transferred to surrounding schools.

Minimum Salary

Funding for 1990-91: $ 8.7 Million (less than 1.0% of total state school aid)

Description: The state started a mandated program in FY 87 to raise the beginning salary of teachers. The required minimum for 1990-91 was $18,000. Districts which were below the minimum were given state supplemental money to bridge the difference in the district's amount paid and the mandated minimum. Restrictions are placed on "new" money received by the district in order to bring up its minimum payment to teachers as the district receives more state aid.

Career Ladder

Funding in 1990-91: $16.9 Million (1.1% of total state school aid)

Description: The state funds a program which provides stipends to classroom teachers of up to $5,000 for the purpose of keeping good teachers in the classrooms. A teacher must provide a plan for the year which, if accomplished, will provide a better instructional program for the students. It may include self improvement in teaching skills. Teachers must have been classroom teachers for 5 years before becoming eligible and then may progress from $1,500 to $3,000 to $5,000. The state's reimbursement to local districts is based on district assessed valuation per pupil. The poorest districts receives 90% and the most wealthy receive 35%. The state approves the district plan and then based on that plan the district certifies to the state the amount due the district.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

The state provides no aid for private or parochial schools. The Missouri Constitution has a restrictive provision in the church/state relationship. A "by-pass" is used to flow Chapter I funds to other than public schools.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $12.9 Million (less than 1.0% total state aid)

Description: Missouri has a "Parents as Teachers" (PAT) program, the purpose of which is to aid parents in the teaching process of their pre-schoolers. There are 2 separate programs involving early screening of pre-kindergarten students and parents of 3- and 4-year olds.

XIII. LOCAL SCHOOL REVENUE

Property taxes constitute the sole source of local district tax revenue. This source includes an intangible tax on financial institutions' profits, which may not be a "property" tax. Virtually all property taxes require voter approval. A board of education can levy a rate of $1.25 per $100 in assessed valuation without voter approval and in fact is required to do so in order to receive state aid (this requirement is being challenged in court). Rates which exceed 3 times the amount allowed by the constitution without voter approval ($1.25) must be approved by a two-thirds majority. The property tax raises approximately $1.48 billion per year. Property assessment by county assessor is evaluated by the state tax commission through a sampling process. School districts are penalized if the county or counties in which they are located are under-assessed. Residential property is assessed at 19%, commercial at 32% and farmland at 12% of a productivity factor determined by the University of Missouri. That value is not the "fair market" value of the land. The percentages do not vary to any great extent according to the State Tax Commission based on its sampling procedures. Each county assessor is obligated each odd-year to reset the values within the county if judged to be incorrect.

XIV. TAX AND SPENDING LIMITS

There is no limit on the tax rate which may be voted by a school district if a 2/3 majority is achieved. School tax rates actually levied vary from $1.25 per $100 of assessed valuation to approximately $5.80.

Bonding capacity, which limits expenses for building purposes, is restricted to 10% of the assessed valuation of the district.

XV. EARMARKED STATE REVENUE

Missouri has limited earmarked taxes. A tax on the premiums of insurance companies foreign to Missouri is dedicated to the textbook fund for local districts. Two taxes on cigarettes are dedicated to schools. One, $.06 per pack, goes to the foundation program. The other, $.04 per pack, is placed in a "fair share" fund and distributed to school districts based on average daily attendance. The $0.01 sales tax dedicated to schools is by state law a local tax which is administered by the state in all facets. Excluding this tax, Missouri schools do not levy a sales tax.

MONTANA

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I. GENERAL BACKGROUND

State

- The state share of state and local funding for education increased significantly in 1990-91. At the inception of the foundation program in 1949, the state provided 80% of the revenue for the foundation program. Over the years that percentage has eroded until 1986, when the state share averaged approximately 55%. Several school districts filed suit claiming underfunding by the state. In 1989, the Montana Supreme Court upheld a lower court ruling which declared unconstitutional the funding of public schools. In a special session in 1989, the Legislature increased the state's share of the 1990-91 foundation program to $335 million from $286 million in the prior year. The inception of a guaranteed yield, known as Guaranteed Tax Base in Montana, supplemented the general fund permissive levy in 1990-91 and increased the state's contribution to the general fund by an additional $20 million, which increased the state share to 82%. The Guaranteed Tax Base was also applied to the county retirement fund which further increased state support by $15 million.

- State funds for the foundation program comes from several sources. A property tax of 95 mills is levied statewide. The revenue from 55 of those mills is retained at the county level for the county equalization contribution to the foundation program. The revenue from the remaining 40 mills is deposited in the state equalization aid account. The state equalization account supplements county equalization to provide the full foundation program obligation. In addition, several other earmarked revenues are deposited in the state equalization aid account. If the earmarked revenues are not sufficient to fund the foundation program obligation, a general fund appropriation provides the difference. In 1990-91, no general fund appropriation was necessary.

- The Guaranteed Tax Base (GTB) supplement became effective for the first year in 1990-91.

- Although the new system of funding public schools was implemented in the 1990-91 school year, and the data from that year has not yet been analyzed, the "underfunded" districts filed another lawsuit claiming the legislative solution did not narrow the inequities, and that the state has done nothing to address the inequities in capital outlay and transportation. In addition, the Montana Rural Education Association filed suit claiming the state system of funding schools discriminates against small, rural schools, does not provide enough foundation program funding, and does not distribute GTB funds fairly.

Local

- In 1991-92, the state had 538 school districts; 163 operating high school districts, 365 operating elementary districts, and 10 non-operating elementary districts. Administrative responsibilities have been combined for 154 elementary and high school districts, through joint boards of trustees, resulting in a total of 381 administrative units.

- Property taxes are the source of local district tax revenues.

- By legislative action, beginning in school year 1990-91, school district general fund budgets were limited to the larger of 104% of the prior year budget levies, or 135% of the foundation program amount, including special education amounts.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$430 million
Grants in Aid	$414 million	
Teacher Retirement Contributions	16 million	
FICA	0	
Total Local Revenue		290 million
Total Combined State and Local Revenue		720 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $370 million (86.0% of total state school aid)

Foundation program schedule payments (including both state and county equalization revenue)	$341 million
Permissive Guaranteed Tax Base supplemental aid.	$29 million

Nature of Program: Foundation program which provides the minimum budget level for the district general fund.

Units: Pupils. Average number belonging (ANB). ANB is a form of average daily attendance that includes attendance and absence counts for 180 days of the school year plus an equivalent count for up to 7 pupil instruction related days. Funding is provided for grades K-12.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: Foundation program schedules are established in statute, Sections 20-9-316 through 20-9-319, MCA. Separate per ANB schedules are established for elementary and high schools with foundation amounts inversely related to school size. High schools with ANB's of 301 and higher and elementary schools with ANB's of 601 and higher recieve the minimum foundation amount. The high school schedule provides higher foundation amounts per ANB than the elementary schedule. Approved programs for grades 7 and 8 receive additional funding based on a formula that combines their grade counts with the high school count for funding purposes.

Base funding is provided for elementary districts with fewer than 10 ANB and high school districts with fewer than 25 ANB. These districts must apply to the superintendent of public instruction for isolation status, which generally requires that a school be located at least 20 miles from a school of another district. Elementary districts that are considered non-isolated must provide one-half of the foundation program schedule amount from local revenues. No penalty exists for high school districts that are non-isolated.

School districts must meet Montana school accreditation standards and receive approval from the Board of Public Education to be eligible for foundation program payments. In recent years all districts have met the accreditation standards or agreed to correct deviations within appropriate timeframes to continue receiving state equalization aid.

The school year must include 180 pupil instruction days, and may include a maximum of 7 additional pupil instruction related days. If a district does not provide 180 pupil instruction days the foundation program payments will be decreased by 1/90 for each day short of the 180. Approved pupil instruction days increase the ANB count, and therefore increase the foundation program payment.

The Guaranteed Tax Base (GTB) supplement, which was adopted and effective for the first year in 1990-91, provides a guaranteed yield for all districts levying permissive mills for the general fund or for counties levying mills for the retirement fund for school district in the county. Each mill is guaranteed to yield at least the average mill yield for elementary or high school districts. No recapture provision is included.

State Share: The state assumes responsibility for funding the foundation program schedule amounts for which districts are eligible. The district amounts are determined by multiplying ANB of the school district by the statutory foundation program schedule figures. Although a portion of equalization aid is raised at the county level, the state provides the difference between the amount available at the county level and the calculated foundation schedule amounts.

Local Share: School districts do not provide a local share of the basic equalization aid unless the district is a non-isolated elementary district with fewer than 10 ANB. The district must then provide one-half of the foundation program amount specified in statute.

Districts may permissively levy an additional 35% of the amount of the foundation program, including special education state payments, but must apply unreserved fund balance and other district revenues to the permissive range before levying mills. Any amount that may be budgeted beyond the permissive amount, to be funded by a local mill levy, must be submitted for approval by a majority of local voters.

Weighting by Grade Level: Kindergarten students are weighted at .5 ANB. Also, foundation program schedules provide higher foundation amounts for high school ANB than for elementary school ANB.

Adjustment for Special Factors: There are no additional adjustments that are not part of the foundation program schedule.

Districts Off Formula: None

III. TRANSPORTATION

Funding in 1990-91: $10 million (4.3% of total state school aid)

Description: Districts are reimbursed for the approved costs of transporting public school pupils to and from school. The reimbursement amounts are determined by statutory schedule per bus mile. *In 1991-92, the state will provide one-half of the transportation reimbursement and the county will provide the other half for both elementary and high school districts.*

State and Local Shares: The state provides one-third of the reimburseable schedule cost of student transportation for elementary districts and one-third for high school districts.

The county is obligated to provide one-third of the reimburseable schedule costs of student transportion for elementary districts and one-third for high school districts. The remaining one-third of the elementary costs is paid by the local district from local property tax levy revenue. The remaining one-third of the high school costs is provided from the county equalization aid revenue prior to deposit of the revenue in the equalization account. Any budgeted costs above the reimburseable amount are obligations of the local district.

Extent of Participation: 524 of the 528 operating districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

No state aid is provided for capital outlay financing. Districts meet capital outlay and debt service needs through local voter approval of bonded indebtedness or for minor capital outlay, from fund balances that are available in the general fund. With voter approval, districts may assume bonded indebtedness up to 45% of district taxable valuation for capital outlay purposes.

V. TEACHER RETIREMENT

Funding in 1990-91: $16 million (3.7% of total state school aid)

Description: Each school district maintains a separate retirement fund for federal social security and state retirement costs for district employees.

State Share: The state contributes approximately 28% of teacher retirement costs through the Guaranteed Tax Base (GTB) aid to the county in which the district is located, based on the average county mill value per ANB and the number of mills levied.

Local Share: The total district retirement costs of each county are funded by a permissive countywide property tax levy. If the county is eligible for state GTB, the revenue for each mill levied will be supplemented by state funds up to the average statewide taxable value per mill.

Extent of Participation: All districts

VI. SPECIAL EDUCATION

Funding in 1990-91: $33.8 million (7.9% of total state school aid)

Description: The state biennially appropriates funding to the Office of Public Instruction to be distributed to school districts and special education cooperatives for approved allowable costs of special education. Students who spend more than one-half of their school time in special education are not eligible to receive foundation program funding. Pre-kindergarten special education students are served by public school districts. Approximately $29.5 million of the funds are distributed to school districts and approximately $4.3 million are distributed to special education cooperatives which provide services to school districts.

State and Local Shares: If the approved allowable costs exceed the legislative appropriation, each district receives a prorated share of the appropriation. In 1990-91, state funding provided less than 70% of the approved allowable costs for special education.

Districts are responsible for that portion of allowable costs not reimbursed by the state, and for additional costs not included in the allowable costs, including administration and maintenance and operations costs.

Extent of Participation: 360 school districts and 26 special education cooperatives

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $100 thousand (less than 1.0% of total state school aid)

Description: School districts apply to the Superintendent of Public Instruction to receive a gifted and talented grant to provide teacher training and startup funds for gifted and talented programs with the expectation that the districts will assume to the cost of a program when the startup grant ends.

State and Local Share: Each district receiving a gifted and talented grant from the state appropriation must provide equal matching funds from other district revenue.

Extent of Participation: 30 districts received gifted and talented grants

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $0.9 million (less than 1.0% of total state school aid)

Description: Districts with approved vocational education programs may be reimbursed for the added costs of secondary vocational education, those cost beyond the average classroom costs. Those costs include the additional salary costs for instructors with required contracts exceeding 9 months, and equipment and supplies costs that exceed average classroom costs, Title 20, Chapter 7.

State and Local Share: A statutory formula uses prior year enrollment in approved vocational education courses to calculate district eligibility for reimbursement funds. If the calculated costs exceed the appropriation, the districts receive prorated shares of the appropriation. Other costs of vocational education are the responsibility of the district.

Extent of Participation: 140 high school districts participated

Adult Basic Education

Funding in 1990-91: $0.25 million (less than 1.0% of total state school aid)

Description: Districts may provide adult basic education programs.

State and Local Share: The state funding meets the required match to received federal adult education funding. Districts must match the state funding, and in many instances expend more than the matching amount.

Extent of Participation: 240 school districts

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

See Section VI — Special Education.

XIII. LOCAL SCHOOL REVENUE

Property tax is the sole source of revenue for local school districts. In addition, the severance tax revenue from oil and gas production is distributed to districts based on the number of school district mills levied.

XIV. TAX AND SPENDING LIMITS

Beginning with the 1990-91 fiscal year, the legislature imposed budgeting limits on each school district general fund. Districts may budget either 104% of the prior year budget or 135% of the foundation program revenue, including special education funding, whichever is higher.

XV. EARMARKED STATE REVENUE

The state foundation program receives earmarked revenue from the following sources: 31.8% of the state income tax; 28.5% of the corporate license tax; net lottery revenue; and 6.5% of the coal severance tax.

NEBRASKA

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I. GENERAL BACKGROUND

State

- In 1990-91, the state share of general fund revenues for local public elementary and secondary schools ($454.6 million) was approximately 40%, up significantly from roughly 25% in 1988-89 and approximately 29% in 1989-90. The slight increase from 1988-89 to 1989-90 cannot be attributed to general state aid increases, but rather to the inception of a supplemental teacher salaries program (see Section X) and to a 1-year property tax relief program (LB84 of 1989). State support had actually been decreasing as a proportion of total school revenues through the 1980's, but in April of 1990 the Nebraska Unicameral legislature enacted LB1059, the "Tax Equity and Educational Opportunities Support Act." While this relatively recent legislation contains intent language seeking to achieve and maintain a state support level of 45%, the appropriation for 1990-91, the first year of the program, was limited by the timing of sales and income tax increases enacted to fund the new aid program. *The appropriation for 1991-92 is currently projected to achieve approximately 42.5% state support.*

- In January of 1990, a legal challenge to the school financing system that existed prior to the April, 1990 enactment of LB1059 was filed, and is still pending in the Nebraska Supreme Court.

- The personal property tax in Nebraska, which has seen the exemption of many types of personal property since the late 1960s (for example, household goods, farm machinery, inventories, etc.), has been extensively litigated, with the most recent state supreme court decision ruling that virtually any exemption of tangible personal property violates the state's constitutional mandate that "taxes shall be levied by valuation uniformly and proportionately upon all tangible property. . . ." Interim legislation, passed in the 1991 legislative session, exempted *all* personal property except motor vehicles for one year, with property-taxing subdivisions receiving replacement of lost revenue from the state (funded by various temporary state taxes and fees). This law has already been challenged in court, and a special Governor's committee was appointed in May of 1991 to recommend long-term solutions. Their recommendations, released in December of 1991, were largely enacted into law with the passage of LB1063 in March, 1992. Under LB1063, and an accompanying constitutional amendment ballot issue which was approved by Nebraska's voters in May of 1992, personal property will be taxed as part of the local property tax system, but instead of market value, it will be taxed on "net book value." This value is the purchase price of personal property, less accumulated depreciation as determined by a state-established schedule. Personal property which is fully depreciated will not be subject to tax, nor will personal property which is not depreciated at all (such as inventories). Under the provisions of LB1063, had the constitutional amendment failed in May of 1992, virtually *all* tangible personal property other than household and charitable goods would have been returned to the property tax rolls, retroactively to January 1, 1992, at full market value.

- On July 24, 1992, the Nebraska Supreme Court found against the state in 2 cases relating to 1991 personal property tax exemptions and certain related replacement funding (in effect the court struck down the "total exemption" and state-replacement dollar provisions of LB829, 1991). School districts, as the biggest user of property tax dollars will no doubt be affected by these rulings but it is not at all clear at this time how they might be affected.

Local

- In the 1990-91 school year, there were 812 local school districts in Nebraska, with 272,982 students in grades K-12. Of the 812, 278 were K-12 districts (enrolling 255,155 students), 21 were 7-12 or 9-12 secondary "overlying" districts (enrolling 3,991 students), and 513 were K-8 or K-6 elementary-only districts (enrolling 13,836 students). These districts range in size from ones enrolling *no* students to Omaha Public Schools, which enrolls approximately 41,000 students. In addition, each of Nebraska's 93 counties has a County Superintendent, serving primarily administrative and regulatory functions related to elementary and secondary schools in the county. Finally, Nebraska has 19 regional Educational Service Units, which are governed and funded similarly to local school districts. *Note: the number of school districts in Nebraska has been declining annually. For example, in 1981-82 there were 1,043 local school districts in Nebraska; in 1991-92 there were 777, or 266 fewer than in 1981-82. It is currently anticipated that there will be 727 in 1992-93.*
- All local public school districts in Nebraska are governed by locally elected school boards with 3, 6, 9, or 12 members. All school districts are fiscally independent, with revenue-raising and expenditure authority vested in its elected board, subject to certain statutory limitations.
- The biggest single source of revenue for school districts is local property tax. Other significant sources of local revenue include city and county fines and license fees, proceeds from a sales tax on public power districts (the only electricity providers allowed in Nebraska), and tuition local school districts charge other districts or parents to educate non-resident students. General state aid, funded through state sales and income taxes and other miscellaneous state general funds, represents the second largest source of revenue, and is distributed through a state equalization formula. Other significant state general-funded support is provided as well, including special education, teacher pay enhancements, and payments for educating wards of the court. School districts also receive state general funded replacements for local property tax revenue lost to state-enacted homestead exemptions. Finally, several non-general-fund sources of state revenue are provided to school districts, including portions of an insurance premium tax, and portions of a prorate motor vehicles tax on apportionable fleets of motor vehicles.

Funding Summary, 1990-91

Total State School Support (All Programs)		$455 million
Grants in Aid	455 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue		$661 million
Total Combined State and Local School Revenue		1,213 million
State Financed Property Tax Credits Attributable to School Taxes	14 million	

II. THE BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1990-91: $311.5 million (68.5% of total state school aid)

Nature of Program: Foundation-type equalization program, contained in the Tax Equity and Educational Opportunities Support Act (LB1059, 1990) Sections 79-3801 through 79-3824, R.R.S.

Units: Pupils. Average Daily Membership (ADM).

Local Fiscal Capacity: Equalized assessed property valuation plus other revenues.

How Formula Operates: The equalization program determines fiscal need (*"formula need"*) based on actual spending of school districts with comparable-size educational programs, calculates fiscal capacity (*"formula resources"*) including both state and local general fund operating revenues actually available to each district, and generally funds the difference as equalization aid. Unless otherwise noted, all data used in determining equalization aid is taken from the second year preceding the year in which aid payments are made.

Determination of Formula Need. School districts are grouped into "tiers" according to Average Daily Membership (ADM) in grades 1-6 (including kindergarten instructional programs of 1,032 hours or more) and in grades 9-12 (necessary because not all districts in Nebraska have both of these grade groupings, but all of them have at least one of the groups). Average *actual* general fund operating expenditures per ADM for each of these groups is calculated. Individual school districts are then assigned an individual "tiered cost per student" based on the average expenditures per student of the two tiers nearest them in size, mathematically interpolated to maintain a smooth transition across the size continuum (these actual average costs per student tend to be very high for the smallest programs in the state, decrease as size increases to a certain point, and then trends upward again among the very largest school systems in the state). These "tiered cost per student" values, once determined for each grade grouping in each district, are then used to compute a Kindergarten (programs of less than 1,032 instructional hours) and Grades 7-8 value for the district, based on statutory weights. The district's rates for each grade group are then multiplied times the "formula students" in the district to arrive at Formula Need. "Formula students" include the Average Daily Membership (ADM) of the district, as well as resident students the district is "tuitioning out" to other districts or service providers. The result is a formulaic representation of "average" *actual* expenditures for a "school district of comparable size," taking into account Nebraska's variety of school district grade ranges. For the 1990-91 state aid formula, which reflects actual 1988-89 expenditures, the "tiered cost per student" for grades 9-12 ranged from a high of $7,294.39 to a low of $4,069.22, and the "tiered cost per student" for grades 1-6 ranged from $3,726.57 to $2,845.52. Formula Need, statewide, totaled $979.8 million.

Determination of Formula Resources. There are 3 main measures of fiscal capacity included in the equalization formula: Other Actual Receipts, Allocated Income Tax Funds, and Yield from Local Effort Rate.

1. "Other Actual Receipts." This category includes virtually all general fund revenues actually received by the district, other than local property taxes, general state aid, and allocated income tax funds, which are included as formula resources separately. These miscellaneous revenue sources include public power district sales tax revenue; local and county fines and license fees; nonresident high school tuition and other tuition receipts; transportation receipts; interest on investments; other miscellaneous local receipts, but not those from private foundations, individuals, associations, or charitable organizations; special education receipts; state ward of the court and ward of the state payments; apportionment and in-lieu-of school land tax; insurance tax fund receipts; pro-rate motor vehicle license fee receipts; teacher pay enhancement receipts; other miscellaneous state receipts; payments from the Enrollment Option program; various noncategorical federal receipts; and Impact Aid (P.L.81-874) receipts *to the extent allowed by federal law*. For 1990-91 state aid payments, a total of $183.2 million in "Other Actual Receipts" from 1988-89 was included in the formula.

   Impact Aid revenues *were* held accountable for 1990-91 state aid payments pending final determination by the US Department of Education, but only those *not* derived from sections 3(d)(2)(B), 3(d)(2)(C), 3(d)(2)(D), and 3(d)(2)(B)(ii), and then only on a proportional basis as outlined in federal regulation. Of the total $16.1 million local school districts received in Impact Aid in 1988-89, $7.9 million was derived from sections other than those specifically excluded above, and pursuant to the "proportion" formula found in federal regulation, $6.3 million was included in the formula as "other actual receipts."

2. "Allocated Income Tax Funds." Commonly referred to as a "rebate", the aid program includes payment to each district of 20% of the resident individual Nebraska income taxes paid by residents of the district, and the funds so paid are fully accountable as "formula resources" in the equalization formula. Income taxes paid by residents of elementary-only districts are paid partially to the elementary district of residence and partly to the overlying secondary district (if there is one) or to the county's Nonresident High School Tuition Fund (if there is not). $83.3 million in allocated income tax funds were paid to districts in 1990-91.

3. "Yield from Local Effort Rate." The school district's actual assessed valuation (adjusted for any subsequent court-ordered nontaxability of property included in that assessment) is multiplied times a factor to derive the amount of local property taxes each district could receive at a "typical" tax rate. The factor used is known as the "local effort rate," and is mathematically derived to "balance" the equalization formula. Since total

formula needs are "known" (based on actual expenditures of comparable-sized school districts), and other actual receipts and allocated income taxes are "known" (based on actual payments and receipts), and the amount of state equalization aid available to pay is "known" (the amount actually appropriated by the Legislature), this Local Effort Rate is left as the only variable to "balance" the formula by determining at what "typical" rate property taxes would have to be levied to balance the fiscal needs and fiscal capacities of districts covered by the formula. Nebraska levies are expressed in dollars and cents per $100 dollars of taxable valuation, so the "local effort rate" is similarly applied to valuations in hundreds of dollars. Since Nebraska has various legal grade ranges of school districts, this "local effort rate" is prorated for districts providing less than a K-12 education. The local effort rate used in the 1990-91 state aid formula was approximately 1.1368 for a K-12 district, .5096 for a K-6 district, .6272 for a 7-12 district, .6978 for a K-8 district, and .4390 for a 9-12 district or nonresident high school tuition fund. Note that the sum of the K-8 and 9-12 factors equal the K-12 factor, as do the sums of the K-6 and 7-12 ones. On a statewide valuation base of $44.5 billion, this produced total formula "yield from local effort rate" of $505.8 million.

Statewide, the 3 components of Formula Resources totaled $772.3 million.

Equalization Aid. Each district's formula resources are subtracted from its formula need, and the result (if greater than zero) is paid as equalization aid, totaling $231.2 million for 1990-91. There are 2 exceptions to this basic equalization formula:

1. "Minimum Effort." A provision in the formula prevents generating state aid to a district in an amount that would be projected to reduce its current general fund levy below 60% of the local effort rate. Since the 1990-91 local effort rate was 1.1368 for a K-12 district, the "minimum effort" rate was .6821 for a K-12 district. A total of 157 "districts" (including county Nonresident High School Tuition funds) had $6.1 million deducted from their equalization aid pursuant to this provision.

2. "Hold Harmless." For school years 1990-91 through 1992-93 (the first 3 years of the new school funding law), no school district can receive less in State Aid (the sum of Allocated Income Tax Funds and Equalization Aid) than they received in general state aid under the old formula in 1989-90. A total of 421 "districts" were paid $3.1 million in "hold harmless" in 1990-91. *Note: LB719 of 1992 extended the "hold harmless" provision through the 1994-95 school year.*

To recap, a total of $311.5 million in general state aid was appropriated for 1990-91, of which $83.3 million was paid in Allocated Income Tax Funds, $231.1 million was generated as Equalization aid, from which $6.1 million was deducted for "minimum effort," and $3.1 million was paid in "hold harmless."

State Share: As outlined above, the state pays each district's Allocated Income Tax funds, Equalization Aid less Minimum Effort deduction, and Hold Harmless.

Local Share: Local districts' actual property taxing effort does not affect the calculation of state aid, except in the calculation of "minimum effort" deductions. School districts have no minimum nor maximum property tax rates. However, because the equalization formula assures that a "typical" level of spending can be supported at a "typical" property tax rate, districts spending higher than "typical" for districts of like size tend to have higher than typical local levies, and those spending less tend to have lower ones. In addition, school districts are subject to lids on their budgeted general fund expenditures, and the lid's allowable growth percentage is greater for lower spending districts (again, as compared to other districts of comparable size) than for higher spending ones.

Weighting by Grade Level: Kindergarten (except Kindergarten programs providing 1,032 or more hours of instruction) is weighted at .5; Grades 1-6 (including Kindergarten programs providing 1,032 or more hours of instruction) grade(grade weights, levy weights, etc.) are weighted at 1.0; Grades 7-8 are weighted at 1.2; and Grades 9-12 are weighted at 1.4. For purposes of determining the Local Effort Rate for districts other than K-12, these same weights are used. For example, a K-8 district is legally responsible for 8.9 (Kindergarten at .5 plus five grades at 1.0 plus two grades at 1.2) out of the total 14.5 weighted grades, so the K-8 local effort rate is 8.9/14.5 or 61.3793% of the K-12 Local Effort rate.

Adjustments for Special Factors: As outlined in "Formula Need" above, size "tiers" (for 2 different grade groupings) are used. In addition, the "local effort rate" for various legal grade ranges of school districts is "weighted" based on the proportion of total weighted grades served to total weighted K-12 grades (see *"Weighting for Different Grade Levels"* below for more specific information). Finally, for districts in which more than 75% of the enrolled students reside on Indian land, as defined under P.L.81-874, the "tiered cost per student" values are increased 25%. *Note: LB719 of 1992 provided a mechanism whereby rapidly growing school districts will be allowed to use one-year-prior student counts in the aid formula instead of two-year-prior counts. In addition, LB1001 of 1992 harmonized the treatment of students residing on Indian land with federal impact aid regulations and also provided for other miscellaneous changes in state aid, as did LB511 of 1991.*

Districts Off Formula: Note: since the state aid formula works "two years in arrears", the universe of districts for 1990-91 aid *calculations* is from 1988-89. That year, there were 862 local school districts, plus 72 of the 93 counties in the state actually had territory in nonresident high school tuition funds, so the state aid "universe" for that year was 934. For purposes of state aid, county nonresident high school tuition funds are considered "districts."

1. Districts receiving no equalization aid (because their formula resources equal or exceed their formula needs) = 402 out of 934 (43.04%), enrolling 18,769 or 7.03% of the 266,980 students in the state in 1988-89.

2. Districts having portions of their equalization aid withheld under the "Minimum Effort" provisions outlined above = 157 out of 934 (16.81%), enrolling 16,480 or 6.17% of the 266,980 students in the state in 1988-89.

3. Districts in "hold harmless" situations = 421 of 934 (45.07%), enrolling 18,330 or 6.87% of the 266,980 students in the state in 1988-89.

Note: All school districts receive their Allocated Income Tax Funds regardless of equalization status. The amount of these funds can result in a district not receiving equalization aid but still receiving total aid (in this case, allocated income tax funds) that exceed their total 1989-90 state aid, and therefore generating no "hold harmless" payment. Similarly, it is possible for a district to generate equalization aid, but still generate less total aid than they received in 1989-90, so a district can receive both equalization and hold harmless aid in the same payment year. Finally, in no case can the "minimum effort" withholding reduce a district's aid below its 1989-90 "hold harmless" threshold.

III. TRANSPORTATION

Special Education Transportation

Funding in 1990-91: $7.8 million (1.7% of total state school aid)

Description: Districts are reimbursed for 90% of the allowable cost of transporting eligible children with disabilities from the age of 5 to the age of 21 (districts transporting eligible children below the age of 5 are reimbursed with federal funds). (79-3322 R.R.S.).

State and Local Shares: The state funds 90% of the allowable costs, and the local district assumes the remaining cost.

Extent of Participation: 339 local districts, or 41.7% of the total.

Enrollment Option Transportation

Funding in 1990-91: $22,000

Description: Parents or guardians of Enrollment Option students (see Section X) who qualify for free or reduced-price lunches are eligible for reimbursement for transportation expenses at a statutorily defined rate of 59.85 cents per mile for one trip each day for the mileage by which the one-way distance exceeds 3 miles (79-490, 79-3410, 81-1176 R.R.S.). *Note: LB207, 1991 provides that parents will be able to enter into agreements with school districts to transport their eligible children with payments directly to the transporting district. LB653, 1991 changes a statutory standard mileage rate such that the reimbursement rate for option students in 1991-92 and thereafter will be 68.4 cents per mile.*

State and Local Shares: The appropriation was not adequate to pay all claims, so payments to parents and guardians were prorated, in accordance with statute, at approximately 36% of total claimed. A deficit appropriation of nearly $40 thousand was provided in the 1992 legislative session to fully fund all properly filed 1990-91 claims.

Extent of Participation: 91 students, or 16.05% of the 567 total students participating in Enrollment Option in 1990-91.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Generally, State school aid is not provided for Capital Outlays. However, several funding programs do provide funds for certain capital outlays: the In-Lieu-Of School Land Tax and Homestead Exemption programs (see Section X.) do provide state funds to the various capital outlay funds detailed below. The amounts, however, are less than $1.0 million a year. In addition, certain capital outlays are provided for by the General Fund. Finally, the Nebraska Energy Office provided $97,500 to local school districts in 1990-91 in the form of energy grants, and an additional $701,302 in the form of no-interest or low-interest energy loans. Otherwise, Capital Outlays and related Debt Service are funded exclusively through local revenues derived from Special Building Funds, Bond Funds, and Environmental Hazard Abatement funds. *Note: LB1001, 1992 extended the legal use of the Environmental Hazard Abatement fund to include barrier removal activities to comply with the Americans with Disabilities Act.*

Bond Funds. Local school bond issues are submitted to the electors of a school district, and a simple majority of those voting is required for passage (10-702 R.R.S.). However, certain classes of school district are subject to a statutory limit on school bonds equal to 14% of the actual valuation of all property in their district. In 1990-91, 180 local school districts levied Bond Funds totaling $38.1 million.

Special Building Funds. Local school districts may, by a 55% majority vote of legal voters voting at any annual or special meeting of the district, levy a special annual tax for capital outlays of not to exceed 17.5 cents per $100 of valuation, for a term of not to exceed 10 years (79-607, 79-422 R.R.S.).

Districts other than elementary-only (K-12 districts and secondary-only districts) may, without an election of the voters but by action of the board of education, *annually* establish such a capital outlays fund from the proceeds of a levy, not to exceed 14 cents per $100 of valuation (79-547.04 R.R.S.).

In 1990-91, 229 districts levied Special Building Funds totaling $33.6 million.

Environmental Hazard Abatement Funds. Local school boards may designate particular environmental hazard abatement projects (typically, asbestos abatement) to be funded for up to 10 years by a levy, not to exceed 5.2 cents per $100 of valuation (79-4,207 R.R.S.). In 1990-91, 51 local school districts levied Environmental Hazard Abatement Funds totaling $5.7 million.

V. TEACHER RETIREMENT

Funding in 1990-91: $11.1 million (2.4% of total state school aid)

Description: Nebraska law provides for a defined benefit plan administered by the Public Employees Retirement Board for all school employees, certificated and non-certificated, in the state, except those employed by Class V school districts. The only Class V school district is Douglas County School District 001, commonly known as Omaha Public Schools. Class V school districts have a separate, but similar, defined-benefit retirement system (79-1032 through 79-1060.01 R.R.S.).

State aid is appropriated to the 2 retirement systems — "School Retirement System of the State of Nebraska" (79-1501) and "School Employees Retirement System of Douglas County School District 001" (79-1032). These state funds are primarily used for the payment of service and formula annuities; no state retirement system funds are provided directly to the local school districts.

Members of the State system contribute a percentage of their total compensation, which is then "matched" at 101% by their employer from local district general funds. The member contribution percentage for the 1990-91 school year was 6.52%. State law requires annual adjustment of the contribution percentage by the Public Employee Retirement Board upon recommendation of an actuary. (79-1501 through 79-1566 R.R.S.).

Local school district employer share of FICA is not provided directly by the state.

State and Local Shares: The Class V school district retirement system includes a special property-taxing authority with a levy limit of 7 cents per $100 of taxable valuation (79-1052). In addition, the supplemental teacher salaries program detailed in section X includes a portion for employer's retirement contributions (79-3505). Otherwise, all local school district employer's contributions are taken from school district general funds.

Extent of Participation: All school districts employing eligible individuals are required to participate one of the two programs.

VI. SPECIAL EDUCATION

Funding in 1990-91: $68.0 million (15.0% of total state school aid)

Description: For children age 5 to age 21, local school districts are reimbursed for 90% of the "allowable excess cost" for services and programs for children receiving more than 3 hours of service per week, and are reimbursed for 80% of the "allowable excess cost" for services and programs for children receiving not more than an aggregate of 3 hours of service per week. Children below the age of 5 receiving special education services are paid for with federal funds. (79-3301 through 79-3365 R.R.S.).

State and Local Shares: Districts assume the costs not reimbursed as outlined above. In addition, insufficient appropriations can result in prorated payments of the specified amounts, but the legislature has always fully funded deficit requests for the special education program.

Extent of Participation: 695 local districts, or 85.6% of the total.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

None.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Help Education Lead to Prosperity Act (Supplemental Teacher Salaries)

Funding in 1990-91: $20.0 million, of which $19.5 million went to local school districts and the remainder was paid to Educational Service Units and state-operated schools (4.4% of total state support).

Note: For 1991-92 the appropriation is $15.0 million, and through gubernatorial "line-item veto", the appropriation for 1992-93 was reduced to $7.0 million. An attempt to restore funding to the $15.0 million level failed in the 1992 legislative session.

Description: Districts receive funds to supplement "teacher" (certificated staff other than administrator) salaries. Districts generate funds on a formula that weights teacher full time equivalencies (FTE's) on a combination of current salary and degree level: teachers paid less than $17,000 per year are weighted as 0.0; teachers paid at least $17,000 but less than $19,000 per year are weighted as .6; teachers paid $19,000 per year or more are weighted as 1.0; and teachers with a master's degree, regardless of current salary, are weighted 1.2. Once the appropriation has been distributed to districts based on their share of the state total weighted teacher FTE, individual local districts and their teachers negotiate the distribution of the funds to individual teachers. The district is legally bound to use such funds only for the pay to teachers and the district's share of retirement contributions and federal social security. (79-3501 through 79-3511 R.R.S.).

Note: LB91 of 1991, effective for payments in 1991-92 and beyond, eliminates the threshold and weights based on current salary level. It also provides that any appropriation to the program in excess of $15 million per year triggers a "performance-based" distribution mechanism for portions of the appropriation exceeding $15 million.

State and Local Shares: This program is entirely state funded, and reduced state appropriations simply produce reduced salary enhancements to teachers, as the law provides that teachers retain no ongoing contractual rights to payments received under the Act (79-3508 R.R.S.).

Extent of Participation: 543 local districts, or 66.9% of the total. *Note: due to the elimination of the minimum salary thresholds by LB91, 1991, virtually all districts employing teachers in 1990-91 received funds from this program in 1991-92.*

Enrollment Option

Funding in 1990-91: $0.95 million (less than 1.0% of total state school aid)

Description: Beginning with the 1990-91 school year, certain students may attend school in a district other than the one in which they reside. The state pays the educating (option) district their actual per-pupil cost or the state average per-pupil cost, whichever is less. The law provides for prorated payments if the appropriation is insufficient. For 1990-91 the payments were prorated to 48.5% of per-pupil cost. However, shortages will generally be made up through the equalization portion of the general state aid formula 2 years after the categorical payment is received. (79-3415 R.R.S.).

Note: Participation in the program was optional for both resident and option (educating) districts in 1990-91. For 1991-92 and 1992-93, participation will be voluntary by option districts, but resident districts will be required to let up to five percent of their students option out in 1991-92 and an additional five percent option out in 1992-93. Beginning with 1993-94, the program is mandatory for all districts in the state unless they meet specific rejection criteria related primarily to capacity and/or desegregation. LB511, 1991, phases out the categorical funding for this program and phases the funding into the general state aid formula with specific treatment of option districts which do not otherwise receive equalization aid.

State and Local Shares: To the extent that state payments do not equal actual district expenditures, remaining costs are assumed by the option district.

Extent of Participation: 567 of the 272,982 public school students in Nebraska, or two-tenths of one percent of the total. *Note: participation in the program has grown dramatically; in 1991-92, 2,726 students (nearly 1% of all public school students in Nebraska) participated in the program.*

Wards of the Court

Funding in 1990-91: $2.5 million (less than 1.0% of total state school aid)

Description: When student who is a ward of the state or a ward of any court is placed in a public school district other than the district in which they resided at the time they became a ward, or is placed in any institution which maintains a special education program approved by the Department of Education, the cost of their education and any required transportation is paid by the state under rules and regulations prescribed by the Department of Social Services. (79-445 R.R.S.).

State and Local Shares: The state pays the full cost of students determined to be eligible. The cost of educating wards who are placed in their original resident district are assumed by the local district.

Extent of Participation: 121 local districts, or 14.9% of the total.

Insurance Tax Fund

Funding in 1990-91: $10.6 million (2.3% of total state school aid)

Description: Sixty percent of the money received by the state as an insurance premium tax from insurance companies transacting business in Nebraska. The funds are distributed to school districts based on their annual census of school-age children. (77-907 to 77-917 R.R.S.).

Extent of Participation: 811 local districts, or 99.9% of the total.

State School Fund
(State Apportionment and In-Lieu-Of School Land Tax)

Funding in 1990-91: $21.1 million (4.6% of total state school aid)
In-Lieu-Of: $4.2 million, of which approximately $3.9 million was for general funds
Apportionment: $16.9 million

Description: The primary source of revenue to this fund is the lease of state-owned "school or saline land" deeded to the state as part of the Homestead Act (there are still more than 1.5 million acres of school land in Nebraska). The fund also receives revenue from the investment of the proceeds of sales of such land in the past. Finally, the fund is augmented with various state-level fines, penalties, and unclaimed property. The fund is used first to provide payments in lieu-of-taxes to school districts containing school lands ($4.2 million in 1990-91), with the remainder ($16.9 million) distributed as "state apportionment" on a "per school-age child" basis. Nebraska school districts are statutorily required to conduct an annual census of children aged birth through 20 years, with the counts of children ages 5 through 18 (346,925 in June, 1990) used as the basis of apportionment payments. (79-1302 and 79-1303 R.R.S.).

Note: Statutorily, school districts are entitled to receive In-Lieu-Of School Land Tax payments equal to 143% of their calculated school tax loss. However, in early 1991 the Nebraska Supreme Court ruled the 143% factor unconstitutional, so districts received 100% of their calculated school tax loss in 1990-91.

Extent of Participation: 485 local districts, or 59.7% of the total. In addition, 37 County Nonresident High School Tuition funds receive this money.

Prorate Motor Vehicle

Funding in 1990-91: $2.3 million (less than 1.0% of total state school aid) of which approximately $2.1 million was for general funds.

Description: All property-taxing subdivisions including school districts receive payments from the state's Motor Vehicle Tax Fund, which is made up of payments made by the owners of fleets of apportionable vehicles in-lieu of registration. The funds are distributed to county treasurers for redistribution to property-taxing subdivisions in the proportion that each subdivision's levy is to all levies within the county. (60-301 to 60-305.16 R.R.S.).

Extent of Participation: Because the funds are distributed through county government, and are often paid along with other property tax proceeds, reliable detail information by school district is not available. However, all school districts (except those with no levies) receive funds from this program.

Other Miscellaneous "Categorical" Programs

In addition to the programs detailed above, state funded programs for 1990-91, each providing less than $1 million annually, included programs for Child Nutrition ($810,000); Vocational Education ($123,000); and "Forgivable" loans for Math/Science teachers ($100,000).

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Generally, Nebraska does not provide public funds for nonpublic schools. One program does exist, however, which provides for public school districts to loan textbooks to children who are enrolled in private schools which are approved by the State Board of Education.

Textbook Loan Program

Funding in 1990-91: $154,000

Description: Public school districts receive state funds to purchase textbooks which are loaned to children who are enrolled in approved private schools. Districts are not obligated to spend any money for the purchase and loan of such textbooks other than funds specifically appropriated by the Legislature (79-4,118 R.R.S.).

State and Local Shares: No local share is required.

Extent of Participation: 36 local public districts, or 4.4% of the total.

XII. PREKINDERGARTEN EDUCATION

LB567, 1990 authorized the establishment of 4 state-funded early childhood pilot projects (79-3701 to 79-3703 R.R.S.). No funds were appropriated for schools until 1991-92, and the bulk of those that were appropriate were ultimately "line-item-vetoed" by the Governor, except for $80,000 in planning funds divided among the four pilot projects. *Note: LB1022 of 1992 has appropriated $320,000 for the projects for 1992-93.*

There are no other state-funded pre-kindergarten programs in Nebraska ("below-age-five" special education programs are federally funded).

XIII. LOCAL SCHOOL REVENUE

Property Tax

The biggest single source of revenue for local school districts is local property tax: $660.7 million levied for General Funds in 1990-91, $38.1 million for Bond funds, $33.6 million for Special Building funds, and $5.7 million for Environmental Hazard Abatement funds. Property taxes are budgeted and requested by the elected local school boards, but are levied, collected, and distributed by county government, who also determine the taxable value of most property in their counties (the exception is centrally-assessed property such as railroads, pipelines, etc.). Nebraska's constitution requires that "taxes shall be levied by valuation uniformly and proportionately upon all tangible property and franchises," except that a different method is allowed for taxing motor vehicles, and in 1990 the voters amended the constitution to allow different treatment of agricultural and horticultural land.

Note: The statutory valuation of agricultural and horticultural land at 80% of market value will be fully in effect in 1992-93 pursuant to LB320, 1991).

State law, as it existed in 1990-91, provided the following assessment standard for all taxable property: "Actual value of property for taxation shall mean the market value of property in the ordinary course of trade, including, but not limited to: (1) Comparison with sales of property of known or recognized value, taking into account location, zoning, and current functional use; (2) Earning capacity of the property; and (3) Reproduction cost less depreciation." This "100 percent market" assessment standard is monitored annually by the State Board of Equalization (including the Governor, Secretary of State, Auditor of Public Accounts, State Treasurer, and Tax Commissioner), which has power to increase or decrease the actual valuation of property in any county or tax district to achieve equalization.

Note: in LB259, 1990 and LB511, 1991, the legislature has provided that, in the future but no later than July of 1993, formerly "freestanding" elementary-only school districts will "affiliate" with K-12 districts. When they do, all property in the "affiliated *system" (the K-12 district and all elementary-only districts or portions thereof affiliated with the K-12 district) will be subject to a "common" general fund levy.*

Homestead Exemption

Funding in 1990-91: At least $13.8 million (3.0% of total state school aid)

Description: Property-taxing political subdivisions, including school districts, receive funds appropriated by the state and distributed by county treasurers to offset property tax losses from homesteads exempted under state law. Generally, up to $35,000 of homestead actual value can be exempted from property taxation on the basis of age, household income, veteran status, and certain disabilities. (77-3501 to 77-524 R.R.S.). It should be noted that the exempted valuation *is* included in the valuation base of subdivisions when levies are set.

Virtually all school districts actually receiving property taxes are likely to receive homestead exemption funds, but because they are paid by the state to counties, who then redistribute them to the subdivisions, including school districts, in their county (often along with other property tax proceeds), reliable detail information by school district is not available.

Other Local Revenue Sources

Other significant sources of local revenue include city and county fines and license fees ($14.3 million); proceeds from a sales tax on public power districts ($12.0 million); tuition and transportation fees local school districts charge other districts or parents to educate non-resident students ($7.7 million); and the Nonresident High School Tuition counties pay districts to educate high school students residing in districts that don't offer high school programs ($32.1 million).

XIV. TAX AND SPENDING LIMITS

Local school district budgets are adopted by action of elected, fiscally independent school boards following publicized hearings. Traditionally, the only direct voter involvement *required* by law has been acceptance of school bond issues, which requires a simple majority of qualified voters voting in the bond election.

In years recently preceding 1990-91, school districts were not under any spending or taxing limitations for *general fund* purposes. There did (and still do) exist levy limits of 14 cents per $100 of valuation on Special Building Funds (votable, by a 55% majority of voters voting on the question, to 17.5 cents); and a limit of 5.2 cents for Environmental Hazard Abatement funds.

The Tax Equity and Educational Opportunities Support Act, first in effect for the 1990-91 school year, imposes limitations on the general fund budget of expenditures of all school districts in Nebraska. For each district, the prior year's total budget of expenditures is split into a special education and non-special education component. The special education portion is allowed to grow at each district's actual special education expenditure growth rate from the most recently available 2-year period (capped at 2 times the statewide growth in special education expenditures for the same time period). The non-special education portion may be increased by the "basic allowable growth rate," which is a range of percentages established by the Legislature. For 1990-91, school districts spending at or above the average of districts of comparable size (using the size tiers described in Section II) had a basic allowable growth rate of 4%. Districts spending at least 20% below "average" had a basic allowable growth rate of 6.5%, and districts spending between average and 20% below average were assigned a rate between 4% and 6.5% using a straight line transition. In addition, full budget authority is granted to expend funds received from "special grants" as defined by the State Board of Education, and exclusions are allowed for new or expanded state or federal programs, increasing enrollments, increased building operation and maintenance costs in districts with new facilities, special education student increases, and multi-year collective bargaining unit contracts in place prior to enactment of the limitations. Special provisions allow a school board to add 1% to the basic allowable growth rate by a 75% majority vote of the board, and an increase of any amount can be submitted to the district's voters for approval. School districts are not required to budget the maximum allowable budget to prevent loss of future budget authority; there is a specific "unused budget authority" carryover provision. Finally, limitations were imposed on the growth in budgeted reserves, and statutory maximum reserve thresholds (formerly 50% of budgeted expenditures in all districts) were reduced for larger school districts.

Note: LB829, 1991, imposed an additional limitation on school districts. For 1991-92, the district is limited to a zero percent increase in budgeted expenditures unless a 75% majority of the board votes to exceed such limitation. If successful, the district is then allowed to increase their budget within the Tax Equity and Educational Opportunities Support Act limitations described above. LB1063, 1992 extended the "zero percent" limitation described above, as well as modifying the Tax Equity and Educational Opportunities Support Act limitations.

XV. EARMARKED STATE REVENUE

The Tax Equity and Educational Opportunities Support Act of 1990 dedicates 20% "of the projected state income tax receipts" to "the use and support of the public school system to provide support for the distribution of state aid to districts. . . ." In addition, the Act provides for a direct "rebate" of 20% of all state resident individual income taxes to the district in which the taxpayer resides.

The Nebraska constitution perpetually dedicates "for common school purposes" all funds derived from the "sale or leasing of sections number sixteen and thirty-six in each township in this state," which is the "school land" granted under the Homestead Act. The funds, supplemented by various earmarked state-level fines and penalties, are distributed as In-Lieu-Of School Land Tax and Apportionment, and are described in Section X.

Finally, 60% of the proceeds of the Insurance Tax Fund, described in Section X, are dedicated to Nebraska school districts.

Note: Nebraska does not currently have a state lottery, but LB849 of 1991 created the State Lottery Act, and provides an earmark of funds remaining after prizes and operating expenses have been paid. Of these remaining funds, 49.5% is dedicated to the Education Innovation Fund, which will be "allocated by the Governor through incentive grants to encourage the development of strategic plans by school districts for accomplishing high performance learning and to encourage schools to establish innovations in programs or practices that result in restructuring of school organization, school management, and instructional programs which bring about improvement in the quality of education." (9-812 R.R.S.). It should be noted that these lottery statutes are contingent upon successful passage of a state constitutional amendment before the voters in November of 1992.

Note: In the 1991 legislative session, LB662 was introduced and remained on general file (the first of three rounds of debate) through the 1992 legislative session. It would split the current state general fund into a School Aid Fund and a General Fund, with certain portions of the state sales and income taxes earmarked for each. The bill's sponsor has indicated that it will likely be re-introduced in the 1993 legislative session.

NEVADA

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I. GENERAL BACKGROUND

State

- The Nevada Plan, adopted by the state legislature in 1967, is the current means used to finance public education. It is a minimum foundation program.
- The State Distributive School Account, established to make payments to local school districts through the Nevada Plan, is funded by a General Fund appropriation, 1.5 cent sales tax on out-of-state sales, federal mineral land lease income, interest from the Permanent School Fund and investments, an annual slot machine tax, and any state receipts of federal revenue sharing.
- The 1979 Legislature approved a tax relief package that reduced the total levy for school districts from $1.50 ($0.70 mandatory and $0.80 optional) to $0.50 per $100 of assessed valuation. The 1981 Legislature increased the local school support tax from 1% to 1.5% of taxable sales.
- As a result of the 1981 tax shift, which substituted sales tax for property tax, local governments were hit hard when sales tax collections failed to meet estimates during the 1983 national recession. In response to the revenue shortfall, the 1983 Legislature increased the property tax rate for local school districts from $0.50 to $0.75 per $100 of assessed valuation and placed the extra $0.25 in the Nevada Plan formula to offset state general funds.
- In 1991, the Legislature increased the reliance of local school districts on sales tax by raising the local school support tax from 1.5% to 2.25% on taxable sales effective October 1, 1991. This will reduce state general fund appropriations.

Local

- The state has 17 fiscally independent school districts. All of Nevada's school districts are coterminous with its counties.
- Major resources available to a local district outside of the basic support guarantee include an additional $0.50 of ad valorem (total levy is $0.75) on real property, revenue from the motor vehicle privilege tax, federal impact aid monies, and other miscellaneous sources.

Funding Summary, 1990-91

Total State School Aid (All Programs)[1]		$595 million
Grants in Aid	595 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue[2]		186 million
Total Combined State and Local School Revenue		781 million
State Financed Property Tax Credits Attributable to School Taxes	0	

[1] Total State School Aid includes $197 million generated by the Local School Support Tax (see section XV). Nevada treats this tax as a mandatory local revenue contribution towards the basic support program. For purposes of this summary it is treated as state revenue returned to county of origin to support education.

[2] The $197 million Local Support Tax revenue has been subtracted out of total local school tax revenue and incorporated into Total State School Aid.

II. THE BASIC SUPPORT PROGRAM

The Nevada Plan

Funding in 1990-91: $579 million (97.3% of total state school aid). This amount includes $197 million in Local School Support Tax.

Nature of the Program: Minimum Foundation Program (NRS 387.121)

Units: Pupils. Weighted count of pupils enrolled in the public schools on the last day of the first school month of the school year for which apportionments are calculated.

Local Fiscal Capacity: Equalized assessed property valuation and Local Support Tax.

How Formula Operates: The Nevada Plan provides a basic per-pupil guarantee, equalized in order to provide for variations in educational costs and local wealth. The basic support guarantee figure for each district is determined by law each biennium. The calculation of basic support is stipulated in NRS 387.1233. Each school district is assigned a basic support guarantee per-pupil, and the total amount of dollars needed to provide this guarantee is a joint responsibility of the state and local school district. Additionally, a plan to provide state aid for special education program units was incorporated in the Nevada Plan in 1973.

Total Guaranteed Support = (Total Pupil Count x Basic Support Guarantee per-pupil)
+ Special Education Units

Total Pupil Count: See weighting by grade level below.

Special Education Units: See section VI — Special Education.

Basic Support. Basic support represents that portion of the state guarantee consisting of equalized basic support, transportation, and a wealth equalization factor. Each local school district's basic support guarantee is unique to that district. The 3 factors considered by the state legislature in determining the per-pupil basic support guarantee for each school district are described below:

1. Equalized Basic Support. This part of the basic support guarantee is calculated for each district by applying a district ratio to the statewide, per-pupil monetary amount established as the foundation level of basic support. The ratio for each district is determined as follows:

- First, teacher allocations are determined from counts of pupils in each school attendance area within a local school district in accordance with tables adopted by the State Board of Education. The tables allow for increased teacher allocations in school attendance areas where pupil population is sparse and for a lesser number of teacher allocations in densely populated areas. This is based on the premise that where pupil population is sparse, group service units must be maintained for small numbers of pupils, while in more densely populated areas, group service units can be maintained more efficiently by serving larger numbers of pupils in a group.

- In addition to teacher allocations, each district is granted allocations for other certified staff on the basis of pupil enrollment within a school attendance area. Like teacher allocations, other certified staff allocations are determined from tables adopted by the State Board of Education and similar consideration for granting additional allocations to sparsely populated areas is included in the calculations.

- Once teacher and other certified staff allocations are determined, pre-established monetary amounts are applied to pupil counts for kindergarten and handicapped 3-and 4-year-old children (weighted at 0.6), elementary and secondary pupils and total certified employee allocations (teacher and other certified staff combined), which makes possible the determination of a weighted monetary value per-pupil for each local school district.

- Finally, a statewide average monetary value per-pupil is determined by adding the values for all districts and dividing the total by the statewide enrollment. The statewide monetary value per-pupil is assigned a ratio value of 1.000 and each district is assigned a ratio value equivalent to their respective monetary value per-pupil as compared to the statewide amount.

2. Wealth Equalization. Additional apportionments per-pupil for wealth equalization are provided in the basic support guarantee to assist those districts whose total projections of revenue, when increased by the allocations for equalized support and transportation contained in the biennial request, are less than expenditure projections for each year of the biennium.

3. Transportation: See section III.

For 1990-91, the basic support guarantee per-pupil for each school district was:

Carson City School District	$3,502
Churchill County School District	3,635
Clark County School District	3,021
Douglas County School District	3,173
Elko County School District	3,562
Esmeralda County School District	5,651
Eureka County School District	100 *
Humboldt County School District	3,323
Lander County School District	3,717
Lincoln County School District	5,314
Lyon County School District	3,844
Mineral County School District	3,777
Nye County School District	3,514
Pershing County School District	3,667
Storey County School District	5,327
Washoe County School District	2,878
White Pine County School District	4,162
Statewide Average Basic Support	3,110

* Due to the prosperity of some large gold mines located within its boundaries, the Eureka County School District receives more revenue from mandatory local revenue sources (inside formula) than is needed to cover the cost of educating the district's 290 students. The Legislature has, therefore, "manufactured" a very low amount of basic support per-pupil to reduce the amount of state aid to the district. State law provides that

a school district receive either the difference between the total basic support guaranteed by the Legislature and local revenue or 10% of its basic support guarantee, whichever is greater. Eureka receives 10% of its basic support guarantee.

The Nevada Plan — An Example: The following example demonstrates the guarantee process based on the enrollment and revenue for a hypothetical Nevada school district. In addition, revenue outside the guarantee process is also shown to illustrate the total resources available to a district in its operating budget.

Basic Support Guarantee	*District Example*
1. Number of Pupils (Weighted Enrollment)	5,500
2. + 25% of ADA for 3 highest months of part-time pupils enrolled in Adult H.S. diploma programs	150
3. = Total pupil count	5,650
4. x Basic Support Guarantee per-pupil	$3,000
5. = Guaranteed Basic Support	16,950,000
6. + Special Education Units (25 units at $25,200 per unit)	630,000
7. = Total Guaranteed Basic Support	17,580,000
8. - Local Resources (Inside Formula)	
1.5 cent Local Support (sales) Tax	(5,000,000)
$0.25 per $100 property tax	(2,000,000)
9. = State Responsibility	$10,580,000
Resources in Addition to Basic Support (Outside Formula)	
10. $0.50 per $100 property tax	4,000,000
11. Motor Vehicle Privilege Tax	200,000
12. Federal Revenues	150,000
13. Miscellaneous Revenues	10,000
14. Opening Fund Balance	800,000
15. Total Resources in Addition to Basic Support	5,160,000
16. Total Resources Available (line 7 + line 15)	$22,740,000

Note: Step 2 will be eliminated in the 1991-92 school year.
Step 8: 1.5 cent Local Support Tax increased to 2.25 cents 10/1/91.

State Share: The state share of a district's basic support is equal to the district's total guaranteed support minus the mandatory local share (inside formula).

Schedule of Payments: Nevada uses a quarterly or monthly disbursement method; monthly disbursement occurs only when the state controller finds that the state general fund is at a level which is deemed as not sufficient to pay the other appropriations. Typically, disbursements are 4 equal payments, however, if a district experiences a 3% increase in enrollment, an additional 2% is provided to that district in the fourth quarter appropriation. If a district experiences a 6% increase in enrollment, a second additional 2% is provided to that district in the fourth quarter appropriation.

Local Share: The mandatory local share is equal to the 1.5 cent Local School Support (sales) tax plus a property tax of $0.25 per $100 of assessed valuation.

Each board of county commissioners is required to levy a tax of $0.75 per each $100 of assessed property valuation for the support of public schools within the county. Twenty-five cents of the $0.75 rate is considered part of the basic support formula and is deducted from basic support to determine state aid. The remaining $0.50 is considered outside the basic support formula. The $0.75 property tax levy is mandatory in all districts, and school districts may not levy additional property tax for education except for capital outlay (see section IV—Capital Outlay and Debt Service).

Weighting by Grade Level: In calculating basic support guarantees, "pupils" refers to the count of pupils enrolled in grades 1 through 12 and pupils in ungraded special education classes on the last day of the first school month of the school year, plus .6 of the count of pupils enrolled in kindergarten or in programs for handicapped 3-and 4-year-olds on the last day of the first school month of the school year, plus .25 of the ADA. (Average Daily Attendance) for the 3 highest months of classes within the adult high school diploma program.

Beginning in the 1991-92 school year , adults enrolled in courses necessary to receive a high school diploma will no longer be included in the count of pupils for the purpose of calculating basic support guarantees. The 1991 Legislature replaced this mechanism for funding adult diploma programs with a capped general appropriation line item which is the way adult high school diploma programs in the state's prisons have been funded since 1987.

Adjustments for Special Factors: If the pupil count is less than the pupil count obtained for the immediately preceding school year, the larger pupil count must be used in computing the basic support.

Districts Off Formula: None

III. TRANSPORTATION

Funding in 1990-91: $15.5 million (2.6% of total state school aid) (Included in Basic Support Program)

Description: The basic support guarantee includes an allowance for transportation from expenditure records of the local school districts for the last two completed school years. Expenditures for transportation equipment acquisition and replacement for both of the years are tabulated and divided by two to yield an average annual rate for the two years. Expenditures for salaries and operating expenses for the most recent year are added to the average annual rate for equipment acquisition and replacement to give a total amount of transportation expenditures eligible for the support calculation. The total for each district is divided by the enrollment for the most recent year giving the rate of expenditures per-pupil for transportation.

State and Local Shares: 85% of this rate of expenditure per-pupil becomes part of the basic support rate for the first year of the biennium which is increased by a predetermined inflationary rate, and then increased again by the same rate for the second year of the biennium.

Extent of Participation: All 17 school districts participate.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Nevada school aid is not provided for financing capital outlay. Capital outlay needs of local districts can be met from: (a) the sale of bonds, (b) a building and sites fund, and (c) a "pay-as-you-go" tax levy.

Bonds. The issuance of general obligation bonds may occur for specified capital projects and must be approved by the registered voters of the particular county school district. Bonds must be issued within six years from the date of the election authorizing the issue.

Building and Site Funds. The Board of Trustees of each school district shall establish a fund for capital projects. With the approval of the state board of finance, the board of trustees may accrue money for stipulated purposes for a period not to exceed 20 years.

Pay-as-you-go/Authority to Levy a Tax. With the approval of the majority of the registered voters of a county, the board of county commissioners, districts' in which whose enrollment is fewer than 25,000 pupils may levy a tax of not more than $0.50 per $100 assessed valuation. In districts where enrollment is 25,000 pupils or more, the board of county commissioners may levy a tax of not more than $0.35 per $100 assessed valuation. Effective July 5, 1991, the maximum levy is increased from $0.50 to $0.75 in county school districts with enrollments of fewer than 25,000 pupils, and in counties with more than 25,000 pupils, the maximum levy increases from $0.35 to $0.50.

Other. The board of trustees of any school district whose population is less than 25,000 may request that the board of county commissioners impose a tax on residential construction in order to construct, remodel or make additions to school buildings. If the county commissioners approve, it notifies the Nevada Tax Commission. Upon approval of the Tax Commission, the county commissioners may impose that tax which must not exceed $1,000. Effective on the date the Secretary of Commerce reports the 1990 census of population to the President of the United States, this provision of the law will apply to school districts with an enrollment less than 35,000.

V. TEACHER RETIREMENT

Description: The Public Employees Retirement System (PERS) is a state defined benefit pension program. Teacher retirement contributions are totally employer paid in Nevada. In 1990-91, local districts paid a total of $97.6 million to the PERS on behalf of its employees. These payments are made from school district general funds. Employer-paid contributions will decrease from 19% of employees' gross salaries to 18.47% on July 1, 1991.

VI. SPECIAL EDUCATION

Funding in 1990-91: $32.9 million (5.5% of total state school aid) (Included in Basic Support Program)

Description: The legislature declares a basic support guarantee amount for each program unit established by law for each school year. In 1990-91, the value of one unit was $25,000. Program units were designed to cover the teacher personnel costs and were originally based on average teacher salaries. Currently, unit funding covers only a portion of the costs for special education in the State of Nevada. Unit funding is provided in addition to basic support for each special education pupil.

The Nevada Plan recognizes that many pupils are unable to make satisfactory progress in regular graded programs of instruction. When such pupils are identified, local school districts must make provisions as necessary to provide special instructional services for them. Upon establishment and operation of such programs, local school districts are reimbursed on a unit basis for the number of units operated up to the limit authorized by law.

The unit is assigned a monetary value which is reimbursed to the local school district as a result of a final report filed with the State Department of Education indicating the number of units operated during the school year. A "Special Education Program Unit" is defined by law as meaning an organized instructional unit which includes full-time services of licensed personnel providing a program of instruction in accordance with minimum standards prescribed by the State Board of Education.

The number of units established for each local school district is based on the previous year's allocation of units and any additional units are distributed on the basis of need. Unused allocations of special education programs are reallocated to other school districts by the State Department of Education after giving first priority to special education programs with statewide implications, as defined in NRS 387.121.

Out-of-State Placement: In cases where an appropriate educational program is not available in a handicapped pupil's home school district, upon formal request by the school board of the home school district to the State Superintendent of Public Instruction, out-of-district placement may be pursued and funded by the state. The state pays the educational, residential and transportation costs of handicapped students placed in programs outside of their home school district. Funding for such placements comes from the state general fund and a portion of the discretionary funds available to the state under P.L. 94-142, Education of the Handicapped Act.

To increase utilization and stimulate development of in-state facilities for autistic and emotionally disturbed children and those with traumatic brain injuries, the 1991 Legislature amended provisions of the law relating to out-of-district placements of handicapped children and transferred approximately $1 million in each year of the 1991-93 biennium from the Department of Education to the Department of Human Resources. For the 1991-93 biennium, the Department of Human Resources, with the approval and under the supervision of the Superintendent of Public Instruction, will provide a special education program and related services to any handicapped child suffering from autism, emotional illness or a traumatic brain injury. The Superintendent of Public Instruction will continue to provide services to pupils with other handicaps for whom an appropriate educational program is not available in the home school district.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

The state provided a general fund appropriation of $14,886 for the support of 2 separate week-long summer institutes for gifted and talented high school students. In 1991-92, that amount increases to $17,500. Other than these summer institutes, there is no separate, direct state appropriation for gifted and talented education in Nevada. However, some special education program units are used by local school districts for programs for gifted and talented students.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Funding in 1990-91: $16.2 million (2.7% of total state school aid)

Description: The Class-size Reduction Act of 1989 established a program designed to systematically reduce the student-teacher ratios in the state beginning with the primary grades. Sixteen million dollars is provided for salaries and benefits of teachers hired to reduce the student-teacher ratio and $160,000 for training teachers to work more effectively with smaller classes. During 1990-1991, the student-teacher ratio in first grade and certain kindergarten classes in schools with high percentages of "at-risk" pupils was reduced to 15:1. To accomplish this, 477 additional first grade teachers and 23.5 additional kindergarten teachers were hired.

The 1991 Legislature provided financial support to local school districts to continue reducing student-teacher ratios in primary grades in Nevada's public schools. First consideration is to be given to schools and classes with pupils most at risk of failure. Funding is provided to maintain the status quo in kindergartens and to reduce the student-teacher ratio statewide to 16:1 in first and second grades in fiscal year 1991-92 and grades 1-3 in fiscal year 1992-93. The state, through general fund appropriations and estate tax revenue, provides funding to cover salaries and fringe benefits of teachers hired to meet the required ratios. Facilities and operating costs are the responsibility of the local school districts.

School districts may not receive funds without first filing a plan for class-size reduction with the Department of Education, and these funds must not be used to adjust district-wide salary schedules or to settle or arbitrate disputes or contract negotiations.

The bill's preamble states it is the Legislature's intent that schools achieve a student-teacher ratio of no more than 15 students per teacher or 30 students per 2 teachers in primary grade classrooms where core curriculum is taught. School districts are allowed necessary discretion to reduce class-size in the manner most appropriate to their respective districts and, under existing law, may request from the State Board of Education variances from required ratios for good cause, including a lack of financial support specifically set aside for reducing student-teacher ratios.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

There is no provision for state aid to private schools with the exception of those utilized to serve special education students for which there are no services available in the public schools or in the state. Aid to parochial schools is constitutionally prohibited.

XII. PREKINDERGARTEN EDUCATION

There is no provision for state aid for pre-kindergarten education with the exception of those programs serving special populations as stipulated in the law. Special Education unit funding and general fund revenue is utilized in meeting these needs.

XIII. LOCAL SCHOOL REVENUE

The following depicts local school resources. Estimates for FY 1990-91 are:

25 cent property tax per $100 assessed valuation	$50.4 million
50 cent property tax per $100 assessed valuation	102.9 million
Motor Vehicle Privilege Tax	20.0 million
Franchise Tax	1.3 million
Federal Revenues	3.4 million
Miscellaneous Revenues	11.3 million

The State Department of Taxation is charged with conducting an assessment ratio study of all 17 counties, alternating 9 counties in one year and 8 counties in the next. The study is used to determine the ratio of the assessed value of each class of property in each county (other than centrally-assessed property) to the assessed value of comparable property in the remaining counties and the taxable value of that type of property within the county. Upon completion of the study, the Department publishes a report that provides a comparison of the latest ratios for the total property of each county and for each class of property in each county, a determination as to whether each county is assessing property in a correct and timely manner, and a summary for each county of any deficiencies discovered during the study. When deficiencies are discovered, the board of county commissioners of the county with the reported deficiency must agree to remedy the deficiency or show by means of an outside appraiser that the deficiency does not exist.

XIV. TAX AND SPENDING LIMITS

The State of Nevada sets limits on the aggregate tax rates that can be levied on property. The maximum rate set by the Nevada Constitution is $5 per $100 of assessed valuation, but state statutes further limits the maximum ratio to $3.64 per $100 of assessed valuation.

For purposes of education, school districts are limited to a property tax levy of $0.75 per $100 of assessed property valuation. This levy is mandatory. *The 1991 Legislature approved a measure which allows a school district, with the approval of the voters of the county, to levy an additional property tax of 3 cents per $100 for "enhancing the safety and security of the public schools within the school district." This tax will "sunset" after FY 1994-95.*

XV. EARMARKED STATE REVENUE

The following state revenue is earmarked by law for school aid:

Local School Support Tax. The Local Support Tax is a 1.5 cent (2.25 cent as of 10/1/91) sales tax levied by the state for the support of schools. The state returns the tax to county of origin. Although the tax is not levied at the local level, the tax is considered to be local revenue.

The Local Support Tax Law, enacted in 1967, stated that the Legislature found an increased contribution by local districts was required for the support of schools. Because the Legislature determined the increase could not be provided through a property tax increase, a sales tax was approved, and "to avoid imposing unfair competitive hardships upon merchants in the several counties", the tax was set at the same rate in each county and also on goods purchased outside the state for use in the state. The act further justified the mandatory and uniform rate for taxing sales by comparing it to the mandatory property tax levy which the sales tax was designed to supplement.

Estate Tax. The 1989 Legislature created the Trust Fund for Class-size Reduction and directed that the half of estate tax revenue which is public (K-12) education's share be placed in the trust fund and used only for class-size reduction. The other half of estate tax revenue is earmarked for higher education and is placed in an endowment fund.

NEW HAMPSHIRE

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I. GENERAL BACKGROUND

State and Local

- New Hampshire has 234 cities and towns which are organized into 176 school districts. The 1990-91 public school enrollment in these districts was 100,343 elementary, 26,466 middle/junior high, 45,976 high school students for a total of 172,785. Many of these 234 municipalities are single town districts (132) where the municipality boundary is coterminous with the school district. The remaining towns are organized into 31 cooperative school districts, also known as regional school districts. These districts represent 2 or more towns which have "joined together" to share resources in order to provide educational services to a region. There are also 13 small school districts which do not operate any schools. These districts send their students to nearby districts and pay a per pupil tuition fee for each child enrolled in the school. For administrative purposes, the 176 school districts are organized into 65 School Administrative Units (SAUs). An SAU is the administrative component and employs a superintendent of schools. Some SAUs are comprised of a single district; others have 2 or more school districts which share administrative services and the superintendent's office.

- Each school district in NH is governed by a school board which is composed of elected members generally serving a 2 or 3 year term on the board. The board adopts an annual budget which is presented to the district voters at an annual school district meeting. School boards do not have the power to tax; they present a budget for approval at the school district meeting. Voters at the meeting are all legal residents of the town (or towns) comprising the school district. Voters at the district meeting have the authority to approve a final budget figure. They can approve the budget presented by the school board or alter it and adopt a higher or lower budget. The school board then makes decisions on where budget cuts (if any) are to be made. The voter approved budget figure is taken to the State Department of Revenue Administration which determines a local property tax rate necessary to raise the appropriate sum of money. The only exceptions to this are 10 city school districts. In 9 of these cities the school board submits its budget to the city council for approval. One city, NH's capital, has a fiscally independent elected school board which adopts a final school budget with no approval required by a legislative body. In summary, the school board of a district is responsible for setting policy and governing the district. It adopts an annual budget which must be approved by a majority of residents of the district at a local school district meeting. This budget then dictates a local property tax rate to raise the necessary revenue to operate the schools.

- New Hampshire, more than any other state in the nation, relies upon the local property tax to fund the local education program. Statewide, 90% of the revenue for schools come from local property taxes, 7% from the state in the form of school aid and 3% from federal sources. This results in significant disparities among districts in terms of their ability to raise money for schools. The heavy reliance on local property taxes means the ability to raise money is directly related to the property wealth of the district. Those districts with lower property values tax themselves at a higher rate and raise less money than districts which have higher property value. The following table illustrates the impact of this heavy reliance on the local property tax rate.

Pupil Group Summary of School Finance Data

The 170 school districts were divided into 3 equal pupil groups, ranked low to high according to equalized valuation per pupil. Property-poorer districts are in Pupil Group 1, property-wealthier districts are in Pupil Group 3.

SUMMARY TABLE OF WEIGHTED MEANS FOR GROUPED SCHOOL DISTRICTS
(Except where noted)

Pupil Group	1990 Equalized Valuation Per Pupil	1990 Ave. Daily Membership in Residence	1990 School Tax Rate Per $1000 Equalized	1990 Local School Revenue Per Pupil	1989-90 Cost Per Pupil in Attendance	1991-92 Foundation Aid Per Pupil
1	$ 281,489	55,492.3	$ 14.76	$ 4,155	$ 3,902	$ 624
2	$ 374,902	55,770.7	$ 13.10	$ 4,911	$ 4,478	$ 186
3	$ 670,278	55,749.7	$ 8.33	$ 5,585	$ 4,938	$ 39
State Average	$ 442,462	167,012.7 (Total)	$ 11.03	$ 4,885	$ 4,441	$ 282

62% of all students live in districts which spend *below* the state average cost per pupil.

70% of all students live in districts which are *below* the state average equalized valuation per pupil.

73% of all students live in districts which have *above* the state average equalized school tax rate.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$79 million
Grants in Aid	77 million	
Teacher Retirement Contributions	2 million	
FICA	0	
Total Local School Tax Revenue		885 million
Total Combined State and Local Revenue		1,056 million

These figures do not include a $20 million source of revenue to school districts. The source of this revenue, credited to school districts by a past-practice provision, is the state business profits tax. Approximately $20 million from this tax is credited by the state department of revenue administration as a direct revenue to school districts and is used to lower the total school assessment upon which the local property tax rate is set.

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $47.1 million (59.6% of total state school aid)

Nature of Program: Foundation Program.

Units: Pupils.

Local Fiscal Capacity: Assessed property valuation and personal income

How Formula Operates: Foundation aid is the major state aid to education program. It is New Hampshire's only equalization aid program. The current statute was passed in 1985 and attempts to address both taxpayer equity and student equity.

Student equity is measured by weighted pupil counts for students in each district, with weights assigned to various programs based upon cost, e.g. special education, vocational education, etc.

Taxpayer equity is measured by the fiscal capacity of the town: its property wealth, income wealth and school tax effort. The local town's actual measure on each variable is compared to the state average. To the extent a town is below average in property wealth, below average in income wealth and above average in tax effort, the town will be considered more needy for state aid.

State Share: An attempt is made to fund an "average" district at a targeted 8% of operating expenditure. To the extent a district is below average in wealth, it will receive more than 8% in state foundation aid and those districts which are above average in wealth receive less than 8% in state aid. In each year of its existence, the funds appropriated for foundation aid have been less than the amount needed given the target of 8% for an average district. A mechanism exits in the formula to reduce each town's entitlement so that the total funding equals the state appropriation.

Local Share: Districts are responsible for remaining costs.

Weighting by Grade Level: See above.

Adjustments for Special Factors: None.

Districts Off Formula: In 1990-91, 192 towns received some foundation aid (range was $350 to $2,074,414) and 42 towns did not qualify for any foundation aid at the funded level.

III. TRANSPORTATION

See Section X — Vocational Education Tuition and Transportation.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Building Aid

Funding in 1990-91: $12.8 million (16.2% of total state school aid)

Description: Building aid is available to districts for renovation and construction of new facilities to accommodate growth in enrollment. School districts are eligible to receive as aid an amount of money equal to a certain percent of their annual principal payments. A single town school district receives 30% of its annual principal payment in the form of state aid. As an incentive for consolidation, regional (or cooperative) school districts receive an extra 5% for each additional town in the district, starting at 40% for a district consisting of two towns. This percent is "capped" at 55%, for districts with 5 or more towns.

V. TEACHER RETIREMENT

Funding in 1990-91: $1.9 million (2.4% of total state school aid)

Description: The New Hampshire retirement system requires an employee contribution of 5% as well an employer contribution. The employer (school district) rate for 1990-91 was 1.37% of salary. However, the state contributes 35% of this rate leaving a local district rate of .89% plus an administrative fee of .18% for a total district contribution of 1.0705%. The total state share was $1.9 million with districts paying $4.3 million.

VI. SPECIAL EDUCATION

Special Education Catastrophic Aid

Funding in 1990-91: $8.7 million (11% of total state school aid)

Description: Special education catastrophic aid addresses the cost of severely handicapped students. After spending 3.5 times the state average cost per pupil, districts are entitled to receive in state aid 80% of all remaining costs. Thus 80% of the costs in excess of 3.5 times the state average are reimbursed by the state.

VII. COMPENSATORY EDUCATION

Information not available.

VIII. GIFTED AND TALENTED EDUCATION

Information not available.

IX. BILINGUAL EDUCATION

Information not available.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education Tuition and Transportation Aid

Funding in 1990-91: $3.8 million (4.8% of total state school aid)

Description: New Hampshire operates 20 regional vocational education centers for grades 11 and 12. School districts in each region share the center and transport students for their vocational education classes. The state supports this program by constructing the facility and providing aid to those sending districts for the tuition as well as transportation costs incurred.

Other Programs

Several smaller programs exist providing aid to school districts. In 1990-91 these were:

Program	*Appropriation*
Statewide Student Testing	$100,000
Literacy Projects	155,000
Reading Recovery Projects	90,000
Statewide Special Education Projects	339,500
Spec. Educ. Regional Demo. Programs	1,790,820
School Volunteer Program	60,254

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Information not available.

XIII. LOCAL SCHOOL REVENUE

The property tax is the only local tax that funds schools. In 1990-91 it generated $885 million. Local tax rates are set after a simple majority of voters at an annual school district meeting adopt a budget. Local community assessments, which vary widely among towns, are then examined and taken to the state department of revenue administration. Any revenue to the district, including the school portion of the business profits tax (described earlier) is then deducted from the adopted budget and a local property tax rate is set.

Voter Approval of Bond Issues

A school district may vote to issue bonds and put itself in debt for 2 or more years by a 2/3 majority vote at a school district meeting. The debt incurred annually is part of the total school assessment upon which the local tax rate is set.

XIV. TAX AND SPENDING LIMITS

Information not available.

XV. EARMARKED STATE REVENUE

Foundation aid has been totally funded by revenue from NH's sweepstakes programs, which are earmarked for education.

NEW JERSEY

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In 1990 the State of New Jersey adopted a new school funding system. The new system, known as the Quality Education Act (QEA), represents the culmination of more than a decade of effort by many in education to reform New Jersey's school funding system. The first year of implementation is the 1991-92 school year. In order to properly represent New Jersey's current funding system, all data and descriptors contained in this overview represent QEA funding in the 1991-92 school year. Data and descriptors relating to other years will be specifically noted.

I. GENERAL BACKGROUND

State

- The state provided approximately 42.9% of the revenues for public schools in the 1991-92 school year. This compares with 38.0% in 1990-91, 39.8% in 1989-90, 42.9% in 1988-89, 42.7% in 1987-88 and 42.8% in 1986-87.
- State funds for public schools are appropriated from the general fund (sales taxes, general business taxes, motor vehicle taxes, public utility taxes, etc.) and the property tax relief fund (income tax).
- The state funds for public schools are supported for the most part by the property tax relief fund. In 1991-92 the total state appropriation public schools was $4.459 billion, with 76.9% coming from the property tax relief fund and 23.1% from the general fund.
- The QEA contains several noteworthy provisions. They are:

  1. The total amount of QEA school aid is determined by a formula linked to the average annual percentage increase in state per capita personal income over the 4 years preceding the budget year.

  2. A local school district's capacity to support its schools is based upon 2 factors weighted equally, the districts property wealth and aggregate income.

  3. Local district spending is limited through state determined budget caps. These budget caps may only be exceeded if a district obtains a waiver from the Commissioner of Education or the voters.

  4. The designation of 30 special needs school districts. These districts have been determined to require additional spending to address their special needs. QEA provides additional aid for these districts and allows these districts to increase annual spending at a rate that will allow them to achieve spending parity with the wealthiest districts.

- The QEA was originally designed in anticipation of the New Jersey Supreme Court ruling in the case of *Abbott* v. *Burke*. The plaintiffs in this case, representing children from 4 urban school districts, charged the state school funding did not comply with the constitutional provision that all children have a right to a "thorough and efficient system of free public schools." The court's decision in June 1990 concluded that the existing system of funding public schools did not provide enough money to poor urban school districts and ordered that spending parity must be ensured between poor urban districts and the most affluent districts. Litigation continues in the *Abbott* v. *Burke* case relative to the state's implementation of the court's decision.

Local

- There are 582 fiscally independent school districts, seven county special services districts, 20 county vocational schools and 10 educational services commissions in the state.
- Property tax is the only source of local revenue.

Funding Summary, 1991-92

Total State Aid (All Programs)		$4,459 million
Grants in Aid	3,517 million	
Teacher Retirement Contributions	607 million	
FICA	335 million	
Total Local School Tax Revenue		5,787 million
Total Combined State and Local Revenue		10,246 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Funding in 1991-92: $2,061.6 million (46.2% of total state school aid)

Nature of Program: Foundation funding program known in New Jersey as the Quality Education Act of 1990 (adopted July, 1990, amended March 1991).

Units: Pupils. Weighted pupils in programs as of the last school day prior to October 16, of the previous year.

Local Fiscal Capacity: Equalized property valuation and aggregate income.

How Formula Operates: In order to calculate how much state foundation aid a district receives, the state first determines an appropriate overall spending level — the maximum foundation budget.

The Maximum Foundation Budget. The maximum foundation budget is based on a district's enrollment and a basic amount of money determined by the state as necessary to provide a quality education for 1 elementary school student, called the foundation amount. This foundation amount for the 1991-92 school year was $6,640 per student.

Because costs vary for educating students in different grades and programs, the foundation amount is multiplied by the following foundation weights to compensate for these differences:

Grade and Program Category	*Foundation Weight*	*Weighted Foundation Amounts 1991-92*
Full-Day Kindergarten or preschool	1.00	$6,640
Half-Day Kindergarten or preschool	0.50	3,320
Grades 1-5	1.00	6,640
Grades 6-8	1.10	7,304
Grades 9-12	1.33	8,831
Adult High School	0.50	3,320
County Vocational School	1.33	8,831

These weighted foundation amounts are multiplied by a district's resident enrollment to calculate its maximum foundation budget. A district's resident enrollment reflects the number of students present on the last school day prior to October 16 of the prebudget year.

Also included in a district's maximum foundation budget is a facilities component, which provides funds for school facilities maintenance and capital outlay. This amount was $107 per student in 1991-92.

Because the state will pay each district's share of pension and social security costs in 1991-92 and 1992-93, the maximum foundation budget is reduced by the amount of state pension and social security aid paid on behalf of a district's resident students in these years.

State Share: A district's state foundation aid is the difference between a district's maximum foundation budget and its local fair share. A district's state foundation aid is reduced if the amount of foundation aid would cause the district to exceed it's budget cap.

Local Share: The state calculates a district's local fair share based on its property wealth and aggregate income; these 2 factors are weighted equally.

For all districts, local fair share is calculated according to the following equation:

.5 x district equalized valuation x property value multiplier
+ .5 x district income x income multiplier

The property value and income multipliers are annually determined by the state. The 1991-92 property value multiplier is .0116 and the income multiplier is .0447. Also, an adjustment will be made in districts where income levels significantly exceed state average property values.

Weighting by Grade Level: See How Formula Operates.

Adjustments for Special Factors: Special Needs Districts and Transition Aid Districts.

Special Needs Districts

In response to the State Supreme Court's determination that low-wealth urban districts have special needs which require additional spending, the Quality Education Act designates 30 school districts as special needs districts. Foundation levels in these districts are 5% higher for each grade level than other districts.

Local fair share will be determined differently for special needs districts. In 1991-92, the local fair share for these districts will be calculated in the same manner as for all other districts. However, special needs districts may tax at their local fair share amount or its 1990-91 tax levy, whichever is less. This option will apply until 1995-96, when special needs districts will be required to tax at the local fair share amount determined by the state.

In order to fulfill the Supreme Court mandate that spending parity with the wealthiest districts be achieved by 1995-96, budget caps for special needs districts are calculated differently from other districts. Each year through 1995-96, the Commissioner calculates an "equity spending cap" for each special needs district which assures that the required spending parity can be achieved. In 1991-92, equity spending caps range up to 20%.

Transition Aid Districts

Funding in 1991-92: $115.4 million (2.6% of total state school aid)

Transition aid (N.J.S.A. 18A:7D-33) is provided to those districts whose resources are sufficient to support their foundation budget and therefore would receive less total state aid under the Quality Education Act. Transition aid is provided to phase in the impact of the new law over 4 years. Transition aid will make up the difference between a district's 1990-91 base state aid amount, inflated by 6.5%, and its comparable 1991-92 aid amount. Although districts receive the full amount of the difference in 1991-92, transition aid will be phased out at a rate of 25% each year, so that by 1995-96, transition aid will be eliminated. In 1991-92, 264 districts received transition aid.

Districts Off Formula: 30 Special Needs Districts and 264 Transition Aid Districts.

III. TRANSPORTATION

Funding in 1991-92: $248 million (5.6% of total state school aid)

Description: The state provides transportation aid to local districts to help support the cost of transporting students to and from school. Pupils who are eligible for transportation aid include elementary pupils (K-8) who live more than 2 miles from school, secondary (9-12) pupils who live more than 2.5 miles from school and all special education pupils requiring services. (N.J.S.A. 18A:7D-18)

State Share: This aid amount is calculated according to the number of students eligible for transportation and the average number of miles traveled in each district. Because transportation costs vary by geographic area, density, and district size, each county is categorized as "high cost" (exceeds the statewide average cost by more than 15%), "very high cost" (exceeds the statewide average cost by more than 85%), or "other" to account for cost differences. Transportation aid will increase at the same rate as the consumer price index (CPI) for the New York City and Philadelphia areas. If a district spends efficiently, it is expected that the state aid should cover 100% of approved transportation costs in the current year.

Three formulas are added together to calculate state aid for transportation. The first calculates aid for regular pupils using one set of constants and weights. The second calculates aid for special education pupils using a different set of constants and weights. The third formula adjusts for district density and size.

Aid 1	Regular public and nonpublic transportation = (pupils eligible for transportation x constant) + (pupils x distance x mileage weight)
Aid 2	Special education transportation = (special education pupils transported x special education constant) + (pupils x distance x special education mileage weight)
Aid 3	Density and Size = total pupils transported x [(population density x density factor) + (total resident enrollment x district size multiplier)]

Extent of Participation: 577 districts in 1991-92.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 91-92: $76.4 million (1.7% of total state school aid)

Description: The state provides debt service aid to local districts for the repayment of school bonds. (N.J.S.A. 18A:7D-22)

State Share: Debt service aid is calculated by multiplying the district's net debt service budget by its state-funded share, which is the percentage of foundation aid a district receives based on its maximum foundation budget.

Extent of Participation: 272 districts in 1991-92.

School Building Aid/Debt Service

Funding in 91-92: $18.5 million (less than 1.0% of total state school aid)

Description: Aid is available to meet the principal and interest on bonds for the renovation and replacement of school buildings constructed as a result of the Additional State School Building Aid acts (N.J.S.A. 18A:58-33 and 18A:58-33.3).

State Share: The level of state support is determined through a state review of the school district's application for funds. The review considers the number of unhoused pupils, enrollment growth, municipality total tax rate, net debt of municipality, school debt, density of population, the valuation in support of each child and the number of children of welfare rolls. The entitlements are based upon a percentage of a calculated maximum amount with the annual debt service not to exceed $25 per-pupil in resident enrollment as of September 30, 1968, September 30, 1969 and September 30, 1976.

Extent of Participation: 103 districts in 1991-92

V. TEACHER RETIREMENT

Funding in 91-92: Pensions $607.3 million (13.6% of total state school aid)
Social Security $334.7 million (7.6% of total state school aid)

Description: Pension and social security aid is a separate aid program which covers the cost of local districts' employer contributions to the Teachers Pension and Annuity Fund (TPAF) and social security system (FICA) in 1991-92 and 1992-93. Only TPAF members generate this type of aid. The QEA provides districts with pension and social security aid to cover the full amount of these costs through 1992-93. The responsibility for these costs will be shifted to districts in 1993-94. (N.J.S.A. 18A:7D-6)

State Share: In 1991-92 and 1992-93, each district's maximum foundation budget will be reduced by the amount of pension and social security aid paid on behalf of its resident students. For foundation aid districts this will result in a reduction in foundation aid equal to the amount of pension and social security aid, so as not to double fund districts for these costs.

Extent of Participation: 582 districts in 1991-92.

VI. SPECIAL EDUCATION

Funding in 91-92: $528.7 million (11.9% of total state school aid)

Description: Special education aid under the Quality Education Act is provided to districts for the additional costs of educating students with handicaps. Special education cost factors have been revised in the Quality Education Act to include new categories for autistic, county vocational, county special services and regional day school students. The QEA also added a new cost factor for full-day preschool handicapped pupils. (N.J.S.A. 18A:7D-16)

State Share: Special education aid is calculated by multiplying the number of students enrolled in each of the special education categories by the cost factor for each category and the foundation amount for categorical aid ($6,835).

Additional Cost Factors for Special Education Categories

Educable	0.60
Trainable	0.99
Orthopedically handicapped	1.70
Neurologically impaired	0.42
Perceptually impaired	0.12
Visually handicapped	2.79
Auditorily handicapped	1.63
Communication handicapped	0.84
Emotionally disturbed	1.09
Socially maladjusted	0.67
Chronically ill	2.23
Multiply handicapped	1.05
Resource room	0.45
Autistic	1.84

Preschool handicapped (half-day)	0.30
Preschool handicapped (full-day)	0.60
County special services school districts	1.38
Regional day schools	1.38
County vocational school, special education services	0.59
Residential facility for the retarded	1.72
Day training center	2.37
Residential youth center	1.39
Training school or correctional facility	0.56
Child treatment center or psychiatric hospital	1.03
Supplementary and speech instruction	0.18
Home instruction	0.0025

Extent of Participation: 602 districts in 1991-92.

VII. COMPENSATORY EDUCATION

Aid for At-Risk Pupils

Funding in 91-92: $245.8 million (5.5% of total state school aid)

Description: Aid for at-risk pupils provides additional funds to districts to help them reduce obstacles to academic success for students whose socioeconomic backgrounds may present special challenges. Aid for at-risk pupils replaces compensatory education aid, which was provided to districts based on the number of students who failed the basic skills test. Aid for at-risk pupils is based on family income, as determined by eligibility for free meals or free milk.

The purpose of aid for at-risk pupils is to improve low-income students' opportunities for academic success by providing additional funds to school districts with large concentrations of low-income students. This will help districts meet the needs of their at-risk students through preventive programs, remedial programs or other measures that will enhance the education of students. (N.J.S.A. 18A:7D-20)

State Share: Aid for at-risk pupils is calculated similarly to aid for special education except that at-risk students are weighted by grade category to account for the varying excess cost in those grade categories:

Grade Category	*At-risk cost factors*	*Additional Aid Per Student*
Preschool-5	0.151	$1,032
6-8	0.168	$1,148
9-12	0.202	$1,381

At-risk aid is determined by multiplying the number of students eligible for free meals or free milk in each grade category by the appropriate weight and the foundation amount for categorical aid ($6,835).

Extent of Participation: 576 districts in 1991-92.

VIII. GIFTED AND TALENTED EDUCATION

None.

IX. BILINGUAL EDUCATION

Funding in 91-92: $52.7 million (1.2% of total state school aid)

Description: Bilingual education aid under the Quality Education Act is provided to districts for the additional costs involved in educating children with limited English proficiency. The cost factor for bilingual education programs is 0.18. (N.J.S.A. 18A:7D-21)

State Share: To determine the amount of a district's bilingual education aid, the state multiplies the number of students enrolled in bilingual education programs by the foundation amount for categorical aid ($6,835) and the cost factor for bilingual education (0.18).

Extent of Participation: 407 districts in 1991-92.

X. OTHER CATEGORICAL AID

County Vocational Aid

Funding in 91-92: $11.3 million (less than 1.0% of total state school aid)

Description: County vocational aid is provided to county vocational school districts for the additional costs of educating students in vocational education programs. This aid is provided in addition to any foundation aid a pupil generates.

The QEA contains cost factors which reflect the average excess costs of educating students in secondary and full-time post-secondary vocational education programs. The cost factor for secondary students is 0.26. For post-secondary students, the cost factor is 0.13. In the 1991-92 school year, all students, both secondary and post-secondary, were weighted at the secondary student cost factor of 0.26. Aid for students attending shared-time secondary programs was determined by reducing the weight by one-half. (N.J.S.A. 18A:7D-21.1)

State Share: County vocational education program aid is calculated by multiplying the number of students enrolled in the secondary and post-secondary programs by the cost factors for each program and the state foundation amount for categorical aid ($6,835).

Extent of Participation: 16 county vocational school districts in 1991-92.

Supplemental Educational Quality Aid

Funding in 91-92: $25 million (less than 1.0% of total state school aid)

Description: Funds are distributed by the Commissioner of Education to school districts requiring additional state aid due to extraordinary circumstances.

State Share: State provides 100% of funding.

Extent of Participation: 57 districts in 1991-92.

Adult and Continuing Education

Funding in 91-92: $2.4 million (less than 1.0% of total state school aid)

Description: Adult and continuing education aid is available to any school district to ensure that individuals 16 and older are provided with education opportunities. Types of assistance include: high school equivalency aid (N.J.S.A. 18A:50-12), adult literacy aid (P.L. 91-230), evening school for foreign born aid (N.J.S.A. 18A:49-1).

State Share: High School Equivalency — Assistance is provided in the amount equal to the annual costs for instructors salaries, materials and equipment so that students receive training in the academic skills necessary to pass the test of General Educational Development (GED).

Adult Literacy — Assistance is provided in the form of the 10% matching funds required for the federal grant for Adult Basic Education.

Evening School for Foreign Born — Assistance is provided to school districts in the form of matching aid (1:1) up to $5,000 per school district.

Extent of Participation:
High school equivalency — 100 districts in 1991-92
Adult literacy — 120 districts in 1991-92
Evening School for Foreign Born — 59 districts in 1991-92

General Vocational Aid

Funding in 91-92: $6.8 million (less than 1.0% of total state school aid)

Description: Aid is available to support the state's workforce readiness system by expanding occupational education programs to provide quality career orientation programs and to assist students in overcoming barriers to employment.

State Share and Extent of Participation:

District and Regional Vocational Education Act ($.8 million). State funds are used for matching purposes with federal funds. The state may grant up to $10,000 per year per school (N.J.S.A. 18A:54-9). Twenty districts in 1991-92.

Vocational Education ($5.5 million). State funds are used to provide grants to local education agencies for Career Exploration Programs, Transitions to the Workforce and Occupational Programs. (N.J.S.A. 18A:58-34 and 18A:58-35) Approximately 131 districts in 1991-92.

Work Study Program ($.5 million). State funds are matched with local school district dollars. Funds are used to provide financial aid through part-time work for vocational students outside of school hours. These students must qualify as economically disadvantaged and be between 15 and 20 years old. Approximately 1,740 pupils in 100 schools in 1991-92.

School Nutrition

Funding in 91-92: $6.6 million (less than 1.0% of total state school aid)

Description: Aid is available to reimburse school districts for lunches served to 470,000 children daily. State funds supplement federal funds.

State Share: Reimbursement for the cost of school lunches is provided under the National School Lunch Aid. All meals served to children are subsidized with state and federal funds. Federal funds current for up to 90% of the total.

Extent of Participation: 500 districts in 1991-92

Desegregation Aid

Funding in 91-92: $14.0 million (less than 1.0% of total state school aid)

Description: Aid is provided to districts to be used for the implementation, expansion and enhancement of districts approved desegregation plans.

State Share: Up to $300 per-pupil may be awarded to districts through the RFP process.

Extent of Participation: 28 districts in 1991-92.

Urban Initiative Aid

Funding in 1991-92: $3.1 million (less than 1.0% of total state school aid)

Description: Funds are provided to 3 initiatives aiming to improve urban education programs.

1. Alternative school program. Aid is used to fund planning grants for the development of alternative education programs in five school districts.
2. Effective Schools Programs. Aid provides funding to improve academic achievement through the use of collaboration planning teams.
3. Urban Prekindergarten Program. Aid provides preschool experiences for low-income 3-and 4-year olds in 3 urban areas.

State Shares and Extent of Participation:

Alternative School Program. Grants of $15,000 were awarded to 5 school districts

Effective School Program. Grants of $10,000 each were provided to 50 school districts

Urban Prekindergarten Program. Grants totaling $2.6 million to 3 school districts provide preschool services to 460 children.

Payments for Children With Unknown District of Residence

Funding in 91-92: $6.2 million (less than 1.0% of total state school aid)

Description: Aid for children with unknown district of residence is provided to the Departments of Corrections or Human Services for the provision of educational services to such children. (N.J.S.A. 18A:7B-12)

State Share: The state provides the full cost of the education of these children

Extent of Participation: Payments are made to the Departments of Corrections and Human Services

Minimum Teacher Starting Salary Aid

Funding in 91-92: $1.2 million (less than 1.0% of total state school aid)

Description: Aid is provided to school districts to help increase full-time teaching staff salaries to a minimum salary of $18,500.

State share: The state provides funds required to bring all teacher starting salaries to $18,500.

Extent of Participation: 69 districts

State-Operated School District Differential Aid

Funding in 91-92: $11 million (less than 1.0% of total state school aid)

Description: Additional funds are provided to the one state-operated school district to correct identified deficiencies. The additional funds allow the deficiencies to be corrected without placing an undue burden on the municipality.

State Share: State required to provide 100% of required additional funds.

Extent of Participation: One state-operated school district in 1991-92.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Funding in 91-92: $67.7 million (1.5% of total state school aid)

Description: Nonpublic school aid is available to school districts to reimburse districts for expenses they are required to incur on behalf of students who are enrolled in nonpublic schools within the district. Types of assistance include: nonpublic textbook aid (N.J.S.A. 18A:58-37.3), auxiliary services aid, compensatory education, English as a second language, home instruction (N.J.S.A. 18A:46-1), handicapped aid (N.J.S.A. 17A:46-19), nutrition aid (N.J.S.A. 18A:58-7.1), auxiliary transportation aid (N.J.S.A. 18A:46A-6) and nursing services aid (N.J.S.A. 18A:40-23).

State Share:

Textbook Aid. Funds to support the purchase and loan of textbooks as based upon the state average budgeted textbook expense for public school pupils for the prebudget year. ($7.9 million)

Auxiliary Services Aid. Funds to support the provisions of these services by public schools is based upon the actual number of identified pupils on the last school day in October multiplied by the statewide average cost of providing the equivalent service to children enrolled in public schools ($19.7 million).

Handicapped Aid. Funds to support the provision of these services by public schools is provided for the full cost of the service ($16.4 million).

Nutrition Aid. Aid is provided to nonpublic schools for school lunches served to 31,700 children daily. Meals are subsidized with state and federal funds, with federal funds providing up to 90% of the cost ($.4 million).

Transportation Aid. Aid is provided to nonpublic schools through the local public school to provide for transportation to pupils enrolled full time in a K-12 nonpublic school.

Nursing Services Aid. Aid is provided to nonpublic schools through the local public school to provide nursing services to pupils enrolled in a full time K-12 nonpublic school.

Extent of Participation: Approximately 300 districts.

XII. PREKINDERGARTEN EDUCATION

Funding in 91-92: $13 million (less than 1.0% of total state school aid)

Description: Aid provides funding for early intervention programs for infants from birth to 2-years of age. The Department of Education administers the program in conjunction with the Departments of Health and Human Services. In 1991-92, 2,430 infants were served in 40 programs (N.J.S.A. 18A:46-6.2).

State Share: The state provides full-funding to programs serving infants.

Extent of Participation: 40 programs statewide

XIII. LOCAL SCHOOL REVENUE

Property tax is the only local tax that funds schools. In 1991-92, the property tax generated $5,786.7 million.

XIV. TAX AND SPENDING LIMITS

The QEA allows local leeway in determining the amount of a district's budget. Most districts are not mandated to spend at the level of the maximum foundation budget or tax up to the local fair share amount determined by the state. Originally under the QEA, state foundation aid would have been reduced if a district did not spend up to its maximum foundation budget or tax up to the local fair share. However, the law was amended to eliminate the reduction in state foundation aid for districts which spend below the maximum foundation budget or local fair share.

Budget Caps

The state restricts districts' budget growth to limit annual increases in local property taxes, promote cost effectiveness, and control the overall increases in school spending. Limits on budget growth are determined through budget caps. Budget caps are percentages used to calculate the maximum amount a district is permitted to increase its net budget each year.

Under the QEA Act, a district's budget cap is applied to its net budget to calculate the maximum allowable yearly increase. Because the net budget includes foundation aid, all categorical aid, transition aid, transportation aid and tax levies for current expense and capital outlay, a larger portion of district spending is capped than in the original QEA.

All districts are subject to budget caps. Districts are allowed annual net budget increases between 7.5% and 9%. Special needs districts, however, are subject to an "equity spending cap", which allows these districts to increase annual spending at a rate that will enable them to achieve spending parity with the state's wealthiest districts by 1995-96.

Cap Waivers

A district may spend beyond the amount permitted by its budget cap only if it acquires permission to increase its net budget beyond the spending level calculated by the budget cap formula. This is called a cap waiver. Districts may obtain a cap waiver from either:

1. the state's Commissioner of Education, or

2. the voters in school districts with elected school boards of education (Type II) or the board of school estimate in districts with appointed boards of education (Type I).

The commissioner may only consider granting a district's request for a cap waiver under 4 circumstances:

1. the district has had an annual average increase greater than 2% in its resident enrollment for the 2 prior years;

2. the district had an increase greater than 5% in its special education costs for the prior year;

3. the district has entered into a lease purchase agreement during the 1990-91 school year, but prior to April 1, 1991; or

4. the district sends pupils and pays tuition to a special needs district.

There are no other circumstances under which the Commissioner may approve a cap waiver. The Commissioner's decision an a cap waiver request may be appealed to the State Board of Education.

The QEA also allows the voters or board of school estimate to approve spending beyond the budget cap for other reasons. The question must be put to voters in the annual school election in a Type II school district or the board of school estimate in a Type I school district. If the voters or board of school estimate disapprove the request to exceed the budget cap, this is final and not subject to appeal under the QEA as amended.

Increases in State Aid

In order to sufficiently fund the QEA each year, the annual increase in state aid for education is linked to the annual increases in the state revenues which fund the aid program. The amount of increase is based on increases in the state's per capita income which also affects the income tax receipts.

The formula used to calculate the annual maximum state school aid amount is based on what is called the "state school aid inflator." For 1991-92 the school aid inflator is $4.25 billion. Beginning in 1992-93, the maximum state school aid amount will be determined by adding 80% of the increase in the state school aid inflator and the prior year's maximum state school aid amount. However, beginning in 1993-94, the law allows the Governor to increase the maximum state school aid amount annually by the PCI percentage plus 1.0%, which is identical to the annual increase contained in the original QEA.

XV. EARMARKED STATE REVENUE

In New Jersey, 2 revenue sources are earmarked for education; the state income tax which supports education aid and state's property tax relief program and the state lottery which supports education aid and state institutions. Although, these revenue sources are earmarked for education no specific portion of either is required to be apportioned to education in a fiscal year.

NEW MEXICO

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I. GENERAL BACKGROUND

State

- The state share of revenues for public school operations has remained relatively stable from the implementation of the formula (1974) to the present. The state percentage has remained at roughly 90% since 1983 with the 1990-91 percentage at 93.67%. The 1990-91 local percentage equaled 2.23% with only 0.60% from a local property tax levy. Federal indirect revenues contributed another 4.16%.
- Public school operational revenues from state funds come from several sources including the state general fund, the current school fund, and federal mineral leases. State general fund revenues are not earmarked for the public schools. In 1990-91, the estimated general fund revenues were derived from gross receipts taxes, income taxes, interest, severance taxes, rents and royalties, license fees, and other miscellaneous revenues. The public school share of general fund revenues has remained around 50%. In 1986-87, the public school share was 51.6%. It fell below 50% in 1990-91.
- The largest single revenue source, and the basis of the funding formula, is the State Equalization Guarantee that typically accounts for more than 80% of any district's operational revenues. The distribution is noncategorical in nature and encourages local priority initiatives through the absence of categorical funding and a fund "tracking" system.
- The State Equalization Guarantee is intended to assure that each of the 88 school districts will receive 100% of the calculated program cost. Each year, the state uses a typical incremental budgeting process to determine the overall program cost and ultimately the State Equalization Guarantee Distribution. The statewide appropriation is developed from the current year's budget by adding amounts anticipated for salary increases, increases in the cost of utilities and supplies/materials and, in recent years, extraordinary increases in insurance premiums as separate elements. There are no statutory or regulatory guidelines for determining the specific elements that must be added to the base.
- The New Mexico Public School Funding Formula was implemented in 1974. While there have been over 30 adjustments to the formula over the years, the current New Mexico funding formula is essentially the same as the one enacted by the Legislature in 1974. Recent adjustments have included increasing the weighting for bilingual education from 0.3 to 0.5 over a 4-year period (Legislative approval in 1989), the addition of an urban density factor effective in 1991-92, and changes for reductions in pupil:teacher ratios in kindergarten and grade one.

Local

- The state has 88 fiscally independent K-12 districts.

- Local revenues account for less than 3% of the operational revenues. In 1990-91, local revenues of $22.4 million were derived from a 0.5 mill property tax levy, fees from patrons, tuition from out-of-state, earnings from investments, rents, sales of real property and equipment, and miscellaneous revenues including federal indirect revenues.
- The current funding formula was implemented in 1974 with a local property tax levy of 8.925 mills and local effort equal to approximately 13% of the public school operational revenues. In response to demands for property tax relief, the 1981 Legislature enacted a 3 phase reduction in school property taxes from the 8.925 mills to 0.5 mills, and the local share has remained at about 2.5% of the total operational revenues.
- All 88 districts impose the 0.5 mill levy on residential and nonresidential property based on a statewide uniform assessment ratio of 33 1/3%. The state takes credit for 95% of property tax revenues from the mill levy in the determination of program cost and the equalization distribution.

Funding Summary, 1990-91

Total State Aid (All Programs)		$937 million
Grants in Aid	844 million	
Teacher Retirement Contributions*	47 million	
FICA*	46 million	
Total Local School Tax Revenues**		67 million
Total Combined State and Local School Revenue		1,004 million
State Financed Property Tax Credits Attributable to School Taxes	0	

* Teacher retirement contributions and FICA are part of the State Equalization Guarantee but are shown separately for purposes of this summary.

** Includes $44.2 million in local cash balances and incoming transfers.

II. THE BASIC SUPPORT PROGRAM

State Equalization Guarantee

Funding in 1990-91: $861.5 million (91.9% of total state school aid)

Nature of Program: Foundation Program. Considered by the state as a full state funding program under 1974 Public School Finance Act.

Units: Pupils. Weighted program, training and experience, size, and enrollment growth units.

Local Fiscal Capacity: Equalized assessed property valuation plus other revenue.

How Formula Operates: The State Equalization Guarantee Distribution is the amount of money distributed to each school district to insure that the school district's operating revenue, including certain local and federal revenues, is equal to the school district's program cost.

The formula is driven primarily by the number of students enrolled in a school district. A district's *need* for support is determined by the weighted sum of units based on educational program factors (early childhood education, basic grades 1-12 programs, special education programs, and bilingual education), several size factors, enrollment growth, and a factor for training and experience.

These factors are used to establish program units which determine the overall district program cost and subsequent flow of state equalization funds to the district. The program unit is defined as the product of a factor multiplied by the factor's cost differential.

Total program units (1990-91) for each district are calculated using the factors mentioned above in the following manner:

1. Early Childhood Education. Kindergarten units are equal to the number of full-time equivalent (FTE) students times a cost differential of 1.44. No early childhood education student may be counted for more than 0.5 early childhood FTE.

2. Basic Education Programs. Students enrolled in grades 1-12 in a district's regular program. Units for basic programs equal the sum of:

- the product of grades 1-3 membership times 1.1,
- plus the product of grades 4-6 membership times 1.0,
- plus the product of grades 7-12 membership times 1.25.

3. Special Education Programs. Special education students are classified as A, B, C, or D Level depending on the type and extent of services required. Special education units are the sum of:

- the product of the number of approved A and B programs times 20.0,
- plus the product of the C Level membership times 1.9,
- plus the product of the D Level membership times 3.5,
- plus the product of the number of approved ancillary programs (specialist related programs needed to identify, classify, and provide services to students) times 20.0.

4. Bilingual Education. Programs for students, in grades K-12, that utilize the cultural and linguistic backgrounds of students and teach students to appreciate the value and beauty of different languages and cultures. Bilingual units are equal to the full-time equivalent students in these programs times 0.35.

5. Size Factors. Size adjustment units are calculated as follows:

Elementary-Junior High Units:

$$\frac{200 - \text{Membership(MEM)}}{200} \times 1.0 \times \text{MEM} = \text{Units}$$

Senior High Units:

$$\frac{200 - \text{MEM}}{200} \times 2.0 \times \text{MEM} = \text{Units}$$

OR

$$\frac{400 - \text{MEM}}{400} \times 1.6 \times \text{MEM} = \text{Units}$$

District Units:

$$\frac{4{,}000 - \text{MEM}}{4{,}000} \times 0.15 \times \text{MEM} = \text{Units}$$

District Units: SPARSITY or RURAL ISOLATION (districts with over 10,000 MEM with a ratio of MEM to senior high schools less than 4,000:1)

$$\frac{4{,}000 - \text{MEM}}{\text{Senior High Schools}} \times 0.50 = \text{Units}$$

6. Enrollment Growth Units. A school district with an increase in MEM equal to or greater than 1%, when compared with the immediately preceding year, is eligible for additional program units as follows:

(MEM current year - MEM prior year) x 0.50 = Units

7. Instructional Staff Training and Experience Index. A staff T & E Index is calculated based upon 5 academic classifications and 5 levels of teaching experience. The Index is used as a multiplier of the total early childhood, grades 1-12, special education, and bilingual units.

	Years of Experience				
Academic Classification	**0 - 2**	**3 - 5**	**6 - 8**	**9 - 15**	**Over 15**
Bachelor's Degree or less	0.75	0.90	1.00	1.05	1.0
Bachelor's plus 15 credit hours	0.80	0.95	1.00	1.10	1.15
Master's or Bachelor's plus 45 credit hours	0.85	1.00	1.05	1.15	1.20
Master's plus 15 credit hours	0.90	1.05	1.15	1.30	1.35
Post-master's or Master's degree plus 45 credit hours	1.00	1.15	1.30	1.40	1.50

The Training and Experience Index is determined by the following calculations:

1. multiply the number of FTE instructional staff in each academic classification by the numerical factor in the appropriate "years of experience" column;

2. add the products calculated in (1) above; and

3. divide the total in (2) by the total number of FTE instructional staff.

No district's factor shall be less than 0.95.

State Share: The total units, including program units, as multiplied times the T & E Index, size and enrollment growth units, when multiplied times the annual legislatively established unit value, equals the district Program Cost.

The 1990-91 unit value equaled $1,883.74 per unit with 478,162.793 units statewide and a total program cost of $900.7 million. The State Equalization Guarantee, after subtracting $39.2 million in local and federal revenues, equaled $861.5 million. The State Equalization Guarantee represented more than 85% of the statewide public school operational expenditures.

Local Share: The state distribution takes into account 95% of the local .5 mill levy and 95% of federal forest reserve funds and most PL 874 funds. PL 874 special education funds and grants for students living on Indian lands are not subject to the 95% credit. One hundred percent of these latter distributions remain in the local districts.

One district, with federal funding under the Atomic Energy Community Act (now the Department of Energy), is covered by a separate distribution formula.

Weighting by Grade Level: See above

Adjustments for Special Factors: See above

Districts Off Formula: None

III. TRANSPORTATION

Funding in 1990-91: $60.9 million (6.5% of total state school aid)

Description: A transportation distribution is allocated to each school district according to a formula developed by the State Transportation Director and the State Superintendent for the to-and-from school transportation costs of students in grades K-12 attending public school within the district of residence and for 3- and 4-year-old developmentally delayed children who attend public schools. Vocational transportation distributions are used for the transportation of students from regular attendance centers to vocational programs.

Transportation appropriations are based on the following factors: (1) depreciation allowance; (2) continued use allowance; (3) school-owned bus replacements; (4) operation and maintenance and fuel allowance; (5) fuel allowance; (6) drivers salaries; (7) training; (8) employee benefits; (9) special education assistants; 10. fleet insurance; (12) safety service programs; (12) per capita feeder reimbursements; (13) district administration; (14) gross receipts taxes; (15) profit factors.

The 1990 Legislature added special provisions and funding for the reimbursement of transportation costs to parents or guardians, with family incomes at or below the federal poverty level, for attendance outside a child's attendance zone.

State and Local Shares: Transportation aid is intended to cover the full cost of transportation, but some districts subsidize the state transportation aid.

Extent of Participation: All districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital outlay financing is both a local and state responsibility in New Mexico. Local capital outlay revenues are generated from (1) the sale of bonds, (2) a direct public school buildings levy for larger districts, (3) a local capital improvements levy, and (4) earnings form investments, rents, sales of real property and equipment, and other miscellaneous sources. The state, in addition to specific capital outlay directed at particular districts, provides capital outlay financing through (1) critical and emergency capital outlay funds and (2) a state public school capital outlay match for the local capital improvements levy. Total capital outlay revenues, including cash balances, equaled $349.6 million in 1990-91.

Bonds. Local school districts may issue general obligation bonds for building, remodeling, and equipping school facilities under provisions of the Constitution of New Mexico. Before any general obligation bonds are issued, a local school board must submit to a vote of the qualified electors in the district, on the question of creating a debt. Each district is limited in the amount of debt to 6% of the assessed valuation of the property in the district. The appropriate Board of County Commissioners levy and collect, upon all taxable property within a school district in the county, such tax as is necessary to pay the interest and principal on the bonds. Debt service revenues, including $37.7 million in cash balances, equaled $92.9 million in 1990-91 (26.6% of the total capital outlay of $349.6 million). The sale of bonds added $60.1 million in 1990-91 (17.2%).

Public School Buildings Levy. Under the Public School Buildings Act, any school district, typically larger districts, may impose a tax of up to $10 on each $1,000 of net taxable value of property for capital improvements upon approval of the qualified electors. The tax may be imposed for no more than 5 years. Public school buildings revenues equaled $27.9 million in 1990-91 (8.0%).

Capital Improvements Levy. Under the Public School Capital Improvements Act, local school boards, upon approval of the qualified electors, may impose a tax that does not exceed $2 per $1,000 of net taxable value of property for purchasing, erecting, remodeling and providing equipment and furnishings for schools, purchasing or improving school grounds, maintenance of buildings and grounds, and purchasing activity vehicles. The tax may be imposed for 1, 2, or 3 years. The state, as discussed below, may provide matching funds once the tax has been imposed. Capital improvements revenues from local sources, including $22.6 million in cash balances, equaled $45.5 million in 1990-91 (13.0%).

Miscellaneous Sources. Capital outlay needs receive partial financing from earnings from investments, rents, sales of real property and equipment, and other miscellaneous sources. Other cash balances, investment earnings, rents, sales, etc., added $113.3 million in 1990-91 (32.4%).

State Critical and Emergency Capital Outlay. The Public School Capital Outlay Act provides for state funding of critical school district capital outlay needs which cannot be met by school districts after exhausting all other sources. The state appropriates varying amounts to a Public School Capital Outlay Fund which are distributed by an appointed council. The State Department of Education also has limited funds for capital outlay emergencies. The Legislature, through special appropriations, provided funding to specific districts. The state provided $7.5 million in special state revenue funds for capital outlay in 1990-91 (2.1%).

State Match for Capital Improvements Levy. The Public School Capital Improvements Act has an equalization provision based on district program units and local property valuations. The state guarantees a level of revenue under the Act, and state matching funds are provided from the general fund, general obligation bonds, or severance tax bonds. The state match added $2.4 million in 1990-91 (0.7%).

V. TEACHER RETIREMENT

Funding in 1990-91: $93.5 million (10.0% of total state school aid)
Educational Retirement Fund $47.1 million
FICA $46.4 million

Description: The districts and employees made equal percentage contributions to these funds. The contribution rate for both district and employee to the Educational Retirement Fund was 7.6% of annual salary. The state pays the full cost of the district share. The state's contributions to the fund are distributed to the districts through the state equalization guarantee.

The state provides additional funding for health insurance, workmen's compensation, unemployment insurance, and forward funding of public school retiree, spouse, and dependents health insurance.

Extent of Participation: All districts

VI. SPECIAL EDUCATION

Funding in 1990-91: $152.5 million (16.3% of total state school aid)

This amount is included in the $861.5 million indicated for the Basic Support Program.

Description: The funding formula provides noncategorical state support based on student enrollment, grade levels, and special needs of students, schools, and districts. The noncategorical distributions are intended to encourage local boards and administrators to find the most efficient and effective means to attain local and state goals. Consequently, while it is possible to describe the dollars distributed for special education, the distributions do not guarantee that the dollars will be spent only for special education. Even then, the description is imprecise because it does not take into account the distributions based on school and district size and teacher training and experience. It can only be assumed that portions of these other distributions are also used to meet the needs of special education students.

Students enrolled in special education programs are classified as A, B, C, or D depending upon the type and extent of services needed. Each program must be approved by the State Department of Education before state support is provided. Special education includes programs for gifted students and ancillary programs designed to provide the services of therapists, psychologists, and other specialists needed to identify, classify, and assist students.

With these brief explanations, the special education distributions can be outlined as follows:

A/B Programs	$ 39.6 million
Ancillary Programs	21.0 million
C Level	37.9 million
D Level	44.7 million
3 & 4 yr. old develop. disabled	9.3 million
Total	$152.5 million

Federal special education revenues contributed an additional $17.9 million.

Extent of Participation: All districts

VII. COMPENSATORY EDUCATION

The state does not provide formula funding for compensatory education. In 1990-91, the state did provide limited funding under *Special Projects* which included grants to school districts for After School Enrichment ($224,526), Remediation ($738,898), and Literacy For Children At Risk ($193,805).

Local school boards are mandated to develop remediation programs to provide special instructional assistance to students in grades 1-8 who fail to master essential competencies as established by the State Board of Education. These programs may include but are not limited to tutoring or summer programs. The cost of summer and afterschool remediation programs offered in grades 9-12 may be borne by parents or guardians except where parents are determined to be indigent. A reading assessment instrument designated by the state serves to determine the need for remedial programs.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $11.7 million (1.2% of total state school aid)
This amount is included the $152.5 million indicated for Special Education.

Description: A gifted student, for state funding purposes, is defined as a school-age person whose measured intelligence quotient, either verbal or nonverbal, measures at least two standard deviations above the mean on an intelligence test approved by the State Board of Education and scores at least at the 95th percentile on the total battery score of a standardized achievement test or has outstanding creativity, divergent or critical thinking skills, or outstanding problem solving ability.

Extent of Participation: Gifted programs are included within special education with both B and C Level programs for 7,314 students in 56 districts.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $13.4 million (1.4% of total state school aid)

This amount is included in the $861.5 million indicated for the Basic Support Program.

Description: The state distributes funds to local districts offering bilingual programs in grades K-12 under the Bilingual Multicultural Education Act. The purpose of the Act is to ensure equal education opportunities for students in New Mexico. Cognitive and affective development is encouraged by utilizing the cultural and linguistic backgrounds of students in the curriculum, providing students with opportunities to expand their conceptual and linguistic abilities, and teaching students to appreciate the value and beauty of different languages and culture.

To be eligible for state financial support, each program shall provide for the educational needs of linguistically and culturally different students, including Native American children and other students who may wish to participate, in grades K-12, with priority given to programs in K-3; use two languages as mediums of instruction; use teachers who have specialized in elementary or secondary education with additional, special training in bilingual education conducted through the use of two languages; and emphasize the history and cultures associated with the students mother tongue.

Programs must be submitted to the State Department of Education for approval. At regular intervals, the local school board, the State Department of Education, and a parent advisory committee from the district must review the goals and priorities of the program and make appropriate recommendations to the State Board of Education.

Bilingual education distribution units are equal to the full-time equivalent students in approved programs multiplied times 0.35 in 1990-91. The cost differential weight will increase to 0.50 by 1993-94.

Extent of Participation: 54 of 88 districts

X. OTHER CATEGORICAL PROGRAMS

Instructional Materials

Funding in 1990-91: $10.7 million (1.1% of total state school aid)

Description: The state provides separate funding for instructional materials which include textbooks and supplementary instructional materials of which 80% must be from a list adopted by the State Board of Education. Any qualified student or person eligible to become a qualified student attending a public school, a state institution, or a private school approved by the State Board of Education in any grade from K-12 is entitled to the free use of instructional materials. Any student in an Adult Basic Education Program approved by the State Board is also entitled to the free use of instructional materials.

Funds are provided for the purpose of paying for the cost of the purchase of instructional materials and the transportation charges for these materials. The state establishes separate instructional material accounts for each school district, state institution, private school, or adult education center and costs are debited against these accounts. Funds are not appropriated to the districts.

State Share: The state purchases a major share of instructional materials under the Instructional Material Law ($10.7 million in 1990-91). However, in 1990-91, districts spent an additional $15.8 million of operational funds on other textbooks ($748,839), library and audio-visual supplies and materials ($2.8 million), and other instructional supplies and materials ($12.3 million).

Extent of Participation: All districts

Special Projects — Operational

Funding in 1990-91: $5.2 million (less than 1.0% of total state school aid)

Description: Various special projects were funded in local districts principally on the basis of competitive applications. Forty-six of eighty-eight districts received some funding for special projects. In 1990-91 school district special projects included; RE:Learning, Substance Abuse Education, Developmentally Delayed 2-year-olds, Extended School Year Programs, Lengthening School Year Programs, After School Enrichment, District Choice Transportation, Remediation Programs, Literacy for Children At-Risk, and other projects.

Additional funds were appropriated for education-related special projects in 1990-91, under the administration of the State Department of Education, as follows: Advanced Placement, Evaluation-Special Projects, Indian Education Research Center, Law-Related Education, MESA-Math, Engineering, Science Achievement, Preschool Infant Evaluation, Project Uplift, and Re: Learning-State Level.

Extent of Participation: All districts

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

New Mexico does transfer funds and/or services to non-public schools under several programs. Federal funds (i.e., Chapter I) are used to provide services to eligible students in non-public schools. Textbook funds, accreditation (approval) and licensure services, and some testing services are provided to nonpublic students or schools.

The state also has a "quasi" voucher plan for handicapped students enrolled in not-for-profit centers for D Level special education students (1990-91 = 245 students times 3.5 weighting times $1,883.74 unit value equals $1,615,307). Parents in a few communities are given very limited choices to send their children to these not-for-profit centers. The choices are restricted by state regulations and the "appropriate" placement in terms of special needs. When the school and the parents agree on the placement, the local district transfers operational funds to the center. The district may also provide travel reimbursements.

XII. PREKINDERGARTEN EDUCATION

None.

XIII. LOCAL SCHOOL REVENUE

Local revenues account for less than 3% of the operational revenues. In 1990-91, local revenues of $22.3 million were derived from a 0.5 mill property tax levy (27.02%), fees from patrons (6.80%), tuition from out of state (0.09%), earnings from investments (42.50%), rents (2.38%), sales of real property and equipment (1.13%), and miscellaneous including federal indirect revenues (20.08%).

XIV. TAX AND SPENDING LIMITS

Local districts are required to levy for general operations 0.5 mills on assessed property valuation (one-third of market value). No school board or officer or employee of a school district can make any expenditure or incur any obligation for the expenditure of public funds unless the expenditure or contractual obligation is made in accordance with the operating budget approved by the State Department of Education. Transfers of funds between line items within a series of a budget are allowed. Transfers within a budget or the provision of items not previously included are possible upon written request and with approval of the State Superintendent. Districts cannot operate under a deficit budget.

Each school district is limited in the amount of general obligation bonds which it can have outstanding at any one time. The Constitutional limit is 6.0% of the assessed valuation of the property in the district.

Also see sections on *Public School Buildings Levy* and *Capital Improvements Levy* in Section IV — Capital Outlay and Debt Service.

XV. EARMARKED STATE REVENUE

None.

NEW YORK

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I. GENERAL BACKGROUND

State

- *History*. Over the course of the last 50 years, revenues from state sources as a percent of total expenditures for public schools reached its highest level in 1968-69 at 48.1% after a significant and relatively steady recovery from a 1944-45 low point of 31.5%. A gradual decline from the late sixties through the mid-seventies saw the share fall to 37.6% in the fiscal crisis of 1977-78. State support for elementary and secondary education more than doubled during the last decade, reaching an estimated $8.93 billion in 1990-91. However, the rapid growth in expenditures exceeded the growth in state funding leaving the State share at 42.8%. Total expenditures include those from the general fund, federal aid fund (from 1965-66 through 1973-74) or special aid fund (which includes federal, from 1974-75) and debt service fund (since it was established in 1978-79).

- *Revenue Sources*. State aid for the public schools comes primarily from the General Fund (approximately 90%) wherein the major revenue source is state taxes (e.g. income and sales); the balance (approximately 10%) comes from a Special Revenue Fund account supported by lottery receipts. All net revenues from the state lottery are statutorily earmarked for school aid. In addition, the General Fund guarantees the level of lottery funds appropriated for Education, making up any shortfall in lottery revenues.

- *State Fiscal Year*. School year funding is split between 2 state fiscal years. Payments to school districts are based on the principle that local funds should be spent first. For the most part, local revenues from school property taxes are collected in the fall. The payment schedule is individualized to provide earlier State aid payments to the poorer districts which are the most dependent on State aid.

- *Aid Programs*. State aid is paid through numerous programs but operating aid alone accounts for approximately 60%. With a few exceptions, most notably transportation, aid is based on percentage equalization (aid ratio) type formulas, although many of the formulas incorporate some type of minimum aid provision represented by either a percentage or a dollar flat grant. Most formulas, other than building, transportation and aid for programs for pupils with handicapping conditions, use a per-pupil cost allowance in lieu of actual expenses. In addition, operating and a number of the other aid formulas include "one-year" save-harmless provisions generally extended annually.

- *Fiscal Crisis*. New York State is in a multi-year fiscal crisis. Several actions involving school aid have been adopted to address the state's budget problems:

    - In the Spring of 1990, complex legislation regarding school district payments to the Teachers' Retirement System (TRS) provided, among other things, for a 15 year amortization of the payments that would have been made in the 1989-90 school year, and state aid to school districts was reduced by the $684 million that would otherwise have been paid that Spring to the TRS. (A legal challenge is pending in the courts.)

    - In the 1990-91 school year, in addition to reducing state aid to reflect a "state share" of local savings resulting from changes to the statewide pension systems ($68 million), in an unprecedented move, the

State adopted mid-year Deficit Reduction legislation in December 1990 cutting 1990-91 school year payments by $190 million. The reductions were equalized to minimize the impact on the poorer districts, but wealthier districts were protected by a cap on loss: 1.5% of a district's general fund expense.

- The State's 1991-92 budget was adopted by the Legislature more than 2 months late and many provisions, including a provision for a 1991-92 reduction in school aid payments, were vetoed because the reductions were not adequate to cover the projected deficit. A subsequent budget agreement resulted in restoration of 80% of the vetoed funds for school aid. The resolution provides for the *continued calculation of aid due* for nearly all formula options available in prior years, including save-harmless provisions *but payments will be reduced* by additional Deficit Reduction formulas (including the sum of several due save-harmless amounts) and a specified Deficit Reduction amount. The reductions for the 1991-92 school year total $925 million.
- School finance continues to be a major concern of both state officials and citizens' groups. It has been a high legislative priority as evidenced by the appointment of: the New York State Temporary State Commission on the Distribution of State Aid to Local School Districts (The "Salerno" commission) which published its findings in the "Funding for Fairness" Report, December 1988; and most recently in announcement of a joint Executive-Legislative Task Force intended to ease budget negotiations for the 1992-93 school year. A legal challenge commenced in 1974 (the *Levittown* case) ended when the State Court of Appeals found in favor of the State in 1982. A similar suit was recently filed but, although the court was sympathetic, the first level decision was again in favor of the state, largely because of the similarity of the suit.

Local

- *School District Types*. The state has 665 K-12 districts, and 30 non-K-12 districts, for a total of 695 local school districts employing 8 or more teachers and eligible for regular state aid funding. Except for the school districts in the state's 5 largest cities (known as the Big 5), all are fiscally independent. In addition, 41 Boards of Cooperative Education Services (BOCES) provide a range of programs and services to groups of local districts other than the 5 largest cities.
- *Property Tax*. Property taxes constitute the principal source of local district tax revenues. Except for city school districts, property tax levies are established after voter approval of school district budgets or school board adoption of a limited "contingency" budget after voter defeat. Small city boards of education adopt budgets without voter approval. The 5 largest cities include education in their municipal budget.
- *Tax Limits*. Only the 5 largest cities have constitutional tax limits, and the limits apply to the total municipal budget. Small city school districts (those with a population of less than 125,000 inhabitants) had their constitutional tax limit repealed in 1985.
- *Other Local Revenue Sources*. The state's sales tax laws reserve 4% for the state and permit localities to levy an additional 3% (4% in the case of New York City). A few localities distribute a portion of the local sales tax to school districts. In addition, a few localities impose a utility tax to benefit school districts.

Funding Summary, 1990-91

Total State School Aid (All Programs)[1]		$9,015 million
Grants in Aid	9,015 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue[2]		10,329 million
Total Combined State and Local Revenue		19,654 million
State Financed Property Tax Credits Attributable to School Taxes	0	

[1] Includes funding for nonpublic schools, public Special Aid Fund programs, and aid due for other school years

[2] Includes $39 million from other revenue sources

II. THE BASIC SUPPORT PROGRAM

General aid may be used for all legal expenses of the district and is provided through several formulas:

Funding in 1990-91: $5,183 million (57.5% of total state school aid)

	$ (millions)	*percent of total state aid*
Operating and Growth aid	$4,690.9	52.0%
Supplemental Support aid	433.7	4.8%
High Tax aid	215.1	2.4%
Small Cities aid	101.3	1.1%
Deficit Reductions	(257.7)	-2.8%

Operating and Growth Aid

Funding in 1990-91: $4,690.9 million (52.0% of total state school aid)

Nature of Program: Percentage Equalizing. The formula uses a percentage equalization factor (aid ratio) applied to a fixed ceiling but a district is guaranteed not less than a fixed dollar amount flat grant per pupil. [New York State Education Law, Section 3602, Subdivisions 1, 2, 2-a, 2-b, 3, 12, 13 and 18].

Units: Pupils. Total Aidable Pupil Units (TAPU) based on adjusted average daily attendance (AADA) with a choice of the most recently completed school year (base year) or the average of the 2 most recent years plus additional weightings described below. All pupils are counted in AADA; pupils in alternative programs are counted as a full-time equivalent based on 1,000 instructional "contact" hours.

Local Fiscal Capacity: Ability to pay is measured by a district's Combined Wealth Ratio (CWR) which equals the sum of 2 ratios:

1. 50% Selected Full Value (equalized assessed value of taxable real property) per Total Wealth Pupil Units (TWPU), divided by the state average. "Selected" Full Value is the lesser of the most recent 2 year average or 117% of the prior 2 year average, a feature adopted to cushion the impact of rapid inflation of property values is some areas of the state during the mid and late 1980s. For 1990-91, the state average selected full value was $167,300.

2. 50% of the adjusted gross personal income of resident taxpayers per TWPU divided by the state average. For 1990-91, the state average income per pupil was $75,600.

CWR Formula:

$$\text{CRW} = .5\left(\frac{\text{District Sel. FV / TWPU}}{\text{State Ave. FV / State TWPU}}\right) + .5\left(\frac{\text{District AGI / TWPU}}{\text{State Ave. AGI / State TWPU}}\right)$$

How Formula Operates: The per-pupil aid formula provides districts with the greater of:

$3,761 x Operating Aid Ratio

or a flat grant of $360.

Selected aid per pupil is multiplied by the district's total aidable pupil units (TAPU).

State Share: The operating aid ratio represents the state share. It is calculated for each district as:

$$1 - (.64 \times \text{CWR})$$

For a district of "average wealth" the state share is .36 which provides $1,354 per TAPU. A poor district might have an aid ratio as high as .9 and receive $3,385 per TAPU, while the flat grant protects wealthier districts.

1990-91 Payment Schedule for School Districts:

Sept. 1, 1990	100% of Basic Lottery Grant plus Lottery Textbook Aid
Sept. 15, Oct 15, & Nov. 15, 1990	From total state aid payable to the district for the current year, the state will pay 1/3 of amount due the Teacher Retirement System (TRS) for 1989-90 salaries plus amortization installment on 1988-89 salaries less amount of credit for 1989-90 payments.
Oct. 15, 1990	Additional payment = [(Total Current Year's Aid TRS payment above) x 16.67%] - Sept. Basic Lottery Grant
Nov. 15, 1990	Additional Payment = [(Total Current Year's Aid - TRS payment above) x 25%] - [Sept. Basic Lottery Grant + Oct. Payment + State's share of TRS Savings]
Dec. - Mar. 1990-91	Flexible payments to guarantee each district 65% of total revenues by March 31.
April 15, 1991	Additional payment = [(Total Current Year's Aid) - (TRS payment above + Sept. Basic Lottery Grant + Payments in Oct. to Mar. + State's share of TRS savings + New York Employees Retirement System (ERS) savings)] / 3
May 15, 1991	Additional Payment = [(Total Current Year's Aid) - (TRS payment above + Sept. Basic Lottery Grant + Payments in Oct. to Apr. + State's share of TRS savings + ERS savings)] / 2
June 15, 1991	Final Payment = [(Total Current Year's Aid) - (TRS payment above + Sept. Basic Lottery Grant + Payments in Oct. to May + State's share of TRS savings + ERS savings)]

Local Share: The operating aid allowance of $3,761 does not reflect actual operating expenses per pupil (only 12 districts in the state spent less than $3,761 in 1990-91, the state average Approved Operating Expense per TAPU for Expense is $5,624 and the median is $5,094), so that the local share generally exceeds the difference between the allowance and the amount of state aid per-pupil unit.

Weighting by Grade Level:

Pupil weightings used in Total Aidable Pupil Units (TAPU):
(Based on adjusted average daily attendance)

Grade	*Weight*
1/2 Day K	.50
Full day K	1.00
Full day k-6 PSEN	1.25
7-12 (includes equivalent attendance)	1.25
7-12 PSEN	1.50
Summer school	.12
Handicapped	
All public and private placements	1.00

Pupil weightings used in Total Wealth Pupil Units (TWPU):
(Based on adjusted average daily attendance)

Grade	*Weight*
1/2 Day K	.50
Full day K	1.00
Full day K-6 PSEN	1.25
7-12	1.25
7-12 PSEN	1.50
Handicapped (Based on time spent in Special Education Services)	
60% of the day	2.70
20% of the week	1.90
Consultant teacher services	1.80
2 periods a week	1.13
Section 4405	2.70

PSEN stands for Pupils with Special Educational Needs.

Adjustments for Special Factors: TAPU, when used to measure expense for Excess Cost aid for Children with Handicapping Conditions (Section X), also includes weightings to reflect the intensity of services for such children.

Growth Aid

The state supplements its operating aid for districts experiencing growth in ADA. Growing districts are protected by Growth aid which proportionally increases a district's formula aid in the current year based on increased average daily attendance (ADA) for the first half of the current year over the ADA for the same period in the base year (previous year). Because current year ADA must be used, aid is initially paid based upon estimated attendance counts reported for the first 90 days of both the current and base years, and later adjusted when the first half of the school year is completed and actual counts are known.

Growth Aid formula:

$$\text{Growth Aid} = \left(\frac{\text{1990-91 Estimated ADA}}{\text{1989-90 ADA}}\right)$$

Districts Off Formula: In 1990-91, 303 out of the 695 major school districts in the state received their operating aid under a save-harmless option which guaranteed that a district would not receive less aid in the current year than it received in the base year. Aid due the save-harmless provision accounted for $285.3 million in addition to what the districts earned in the formula aid.

Extent of Participation: Operating aid is paid to all 695 major school districts. In 1990-91, 456 districts qualified for $72.3 million in additional Growth aid.

Supplemental Support Aid

Funding in 1990-91: $433.7 million (4.8% of total state school aid)

Nature of Program: The formula uses a percentage equalization (aid ratio) applied to a variable ceiling added to a fixed dollar amount flat grant. [New York State Education Law, Section 3602, Subdivisions 1 and 30].

Units: Pupils. Total Aidable Pupil Units (TAPU), same as for operating aid.

Local Fiscal Capacity: Combined Wealth Ratio.

How Formula Operates: Aid per pupil is the sum of $64 plus the limited variable ceiling of .035 times the Approved Operating Expense per TAPU for Expense (minimum $174.75, maximum $226.50) multiplied by an aid ratio and the result is multiplied by the TAPU.

The formula:

[$64.00 + (Aidable Amount x Supplemental Support Aid ratio)] x Selected TAPU

where: Aidable Amount = 3.5% x Approved Operating Expenditure (AOE) per pupil, but not less than $174.75 and not more than $226.50

Supplemental Support Aid Ratio = 1 (.49 x CWR)

State Share: The state share as represented by the Supplemental Support Aid Ratio. A district of "average wealth" has a ratio of .51. In reality, the share varies considerably by district since the flat grant is added to the equalized expenditure allowance per-pupil.

Local Share: The expenditure allowance ranges from a minimum of $4,993 ($174.75/.035) to a maximum of $6,471 ($226.5/.035) providing a significant benefit to high spending low wealth districts.

Weighting by Grade Level: Same as for operating aid.

Adjustments for Special Factors: Same as for operating aid.

Districts Off Formula: In 1990-91, 34 school districts received their Supplemental Support aid under a save-harmless option which guaranteed that a district would not receive less aid in the current year than it received in the base year. Aid due the save-harmless provision accounted for $0.4 million in addition to what the districts earned in the formula aid.

High Tax Aid

Funding in 1990-91: $215.1 million (2.4% of total state school aid)

Nature of Program: Districts qualify for this aid based on local tax effort, but a district which ceased to qualify for the aid in the 1990-91 school year would still be eligible for the aid on an off-formula basis. Aid is based on 3 tiers, where tiers I and III are most beneficial to low wealth districts, and tier II helps all high tax rate districts. Aid in each tier is based on a fixed dollar ceiling multiplied by an aidable percent. The aidable percent depends on the degree by which the district's tax rate exceeds the qualifying tax rate (see local fiscal capacity). [See New York State Education Law, Section 3602, Subdivisions 1 and 16.]

Units: Pupils. Total Aidable Pupil Units (TAPU) same as for operating aid.

Local Fiscal Capacity: In calculating a district's tax rate for purposes of High Tax Aid payable in 1990-91:

1. Any General and/or Debt Service Fund expenditures for a public library and any portion of the district's General Fund Unreserved Fund Balance, as of June 30, 1990, other than A906, Investments Frozen by Bankruptcy Court, which exceed 6% of the district's 1989-90 General Fund expenditures, repair reserve expenditures, and outgoing interfund transfers are subtracted from the district's property and nonproperty taxes for the 1989-90 school year, exclusive of taxes for a public library. A variation is used for fiscally dependent city school districts.

2. The result from (1) is divided by the district's Selected Full Value. This is called the unadjusted tax rate (UTR) and is expressed in mills per $1.00 of actual valuation.

3. A wealth adjusted tax rate (WATR) is then calculated by the following formula:

WATR = UTR x ($167,300 / District's Sel. FV per TWPU)

How Formula Operates: High Tax Aid is calculated as Tier I, Tier II, and Tier III high tax aid.

Tier I. In order to qualify for Tier I High Tax Aid, a district must have had a WATR which is greater than 24.03 mills. The formula for Tier I High Tax Aid payable in 1990-91 is as follows:

Tier I Aid = $371.75 x Tier I High Tax Factor x Selected TAPU

> The Tier I high tax factor is calculated by (1) subtracting 24.0 mills for the districts WATR and (2) dividing the remainder by 66.0 mill; such factor is rounded to the third decimal place and may not exceed 1.000.

Tier II. In order to qualify for Tier II High Tax Aid, a district does not have to qualify for Tier I High Tax Aid. A district must, however, have had an UTR which is greater than 25.5 mills. The formula for Tier II High Tax Aid payable in 1990-91 is as follows:

> Tier II Aid = $541.20 x Tier II Aid Ratio x Tier II High Tax Factor x Selected TAPU
>
> The Tier II high tax factor is calculated by (1) subtracting 25.5 mills from the district's UTR and (2) dividing the remainder by 14.1 mills; such factor is rounded to the third decimal place and may not exceed 1.000.
>
> The Tier II aid ratio is calculated by (1) subtracting 1.67 from the district's pupil wealth ratio and (2) subtracting this remainder from 1; this aid ratio may not be greater than 1 nor less than zero.

Tier III. In order to qualify for Tier III High Tax Aid, a district must qualify for Tier II High Tax Aid. A district must have had a WATR which is greater than 43.02 mills. The formula for Tier III High Tax Aid payable in 1990-91 is as follows:

Tier III Aid = $505.30 x Tier III High Tax Factor x Selected TAPU

> The Tier III high tax factor is calculated by (1) subtracting 43.0 mills from the district's WATR and (2) dividing the remainder by 47.0 mills; such factor is rounded to the third decimal place and may not exceed 1.000.

Weighting by Grade Level: Same as for operating aid.

Adjustments for Special Factors: Same as for operating aid.

Districts Off Formula: In 1990-91, 147 school districts received High Tax aid under a save-harmless option which guaranteed that a district would not receive less aid in the current year than it received in the base year. Aid due the save-harmless provision accounted for $53.9 million in addition to what the districts earned in the formula aid.

Extent of Participation: In 1990-91, 452 districts benefited from this aid program.

Small Cities Aid

Funding in 1990-91: $101.3 million (1.1% of total state school aid)

Nature of Program: This aid program had its origin in special legislation, initially enacted for the 1979-80 school year, which provided grants to 22 of the school districts partly or wholly within a city having a population of less than 125,000 inhabitants, subject to constitutional tax limits, and adversely affected by a 1979 court decision. At the time that a statewide referendum repealed the tax limits in November, 1985, 49 small city school districts were receiving grants which varied from $50,000 to $10 million. Current eligibility for this aid program is limited to the small city school districts which received such a grant or qualified for the formula aid provisions enacted for the 1986-87 and 1987-88 school years. The current formula was enacted for the 1988-89 and subsequent school years, and contains long term phase-out provisions. [New York State Education Law, Section 3602, Subdivisions 1, 16, 31 and 31-a].

Local Fiscal Capacity: Full value of real property tax yield.

How Formula Operates: Formula aid equals the excess of (1) the state share of the district's aidable operating budget minus any scheduled increases in aid over (2) the local share. Aid cannot exceed 98% of the prior year state share.

State Share: This equals the percent of the district's budget supported by Small Cities Aid in the base year. In 1990-91, this ranged from less than .25% to more than 20%.

Local Share: This is represented by a minimum local revenue requirement equal to the product of the district's full value and a millage factor equal to:

(State average tax rate/District tax rate) x $0.40

Districts Off Formula: In 1990-91, 37 districts received Small Cities aid under a save-harmless option which provides a district a declining minimum percent (ninety-eight minus two times the number of years on save harmless) of the district's base year aid. Aid due the save-harmless provision accounted for $4.6 million in addition to what the districts earned in the formula aid.

Extent of Participation: In the 1990-91 school year 50 small city school districts qualified for this aid.

Deficit Reductions

Reduction in 1990-91: $257.7 million (-2.8% of total state school aid)

Description: In 1990-91, aid payable to each school district was reduced by 3 provisions. Two of the provisions were enacted prior to the start of the school year: (1) equaled the state share (7.087%) of local savings due to the restructuring of payments to the New York State Teacher's Retirement System ($23.5 million) and (2) equaled the local savings due to a change to the projected unit credit method of actuarial funding of the New York State Employee's Retirement System ($49 million). The third was enacted in December, 1990 to recover $190 million in an equalized manner equal to the product of a district's Combined Wealth Ratio times its Total Aidable Pupil Units times $75.64 (see General Operating Aid)

The first 2 provisions did not affect the New York City School District which has its own teacher's and employees' retirement systems; the mid-year deficit reduction affected all 695 major school districts.

III. TRANSPORTATION

Funding in 1990-91: $911.7 million (10.1% of total state school aid)

Description: School districts transport resident pupils to the school the pupil legally attends — public or nonpublic. The state aids 90% of a school district's approved contract, public service and district operated transportation expenses including school district bus purchases and operation of garage facilities. Approval is based on capacity, routes, mileage and pupil minimum-distance eligibility. All expenses for the transportation of pupils with handicapping conditions are deemed approved, provided that certain mileage limitations are met. [New York State Education Law, Section 3602, Subdivision 7, Sections 3620 through 3636 and Section 4401 subdivision 4].

Extent of Participation: All 695 major school districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1990-91: $353 million (3.9% of total state school aid)

Description: Aid is provided to school districts on a percentage equalization (aid ratio) basis for approved expenditures in the base year for capital outlays from the districts' general fund, capital fund or reserved funds and in the current year for debt service payments. [New York State Education Law, Article 9 and Section 3602, Subdivisions 1, 3, and 6; and Local Finance Law, Sections 11.00, 21.00-29.00, 37.00, 57.00-59.00, 62.10, 109.00, 114.00 and 121.20].

Except in city school districts, a majority of the participating voters must authorize the board of education to undertake any acquisition, construction or reconstruction of facilities for school purposes. In city school districts voter approval is not generally required, and the board of education is empowered to undertake such actions.

State approval of expenditures for construction or purchase of existing structures is based on capacity and labor market indexed cost allowances and includes incidental cost allowance percentages for site purchase and preparation, original furnishings, equipment, machinery or apparatus, or professional fees; in general, approval for reconstruction or modernizing is set at 50% of the allowance for new construction.

During most of the 1980s, in addition to regular building aid for approved projects, competitive grant funds have also been available to public school districts for asbestos management projects. (See also nonpublic school funding.)

Bonding. No bonds or bond anticipation notes (BANS) may be sold prior to the State Education Department's approval of the project to be financed by the obligation. In addition, in accordance with Local Finance Law, bonds may be issued only for lawful purposes for which the state legislature has established a period of probable usefulness in law, and that period regulates the maturity of the bonds.

State Share: The state share of approved building expense is equal to the "building aid ratio" calculated for each district as:

1 - (.51 x wealth ratio for building aid); but not less than zero

This wealth ratio is based only on the district's full real property valuation per resident weighted average daily attendance (RWADA) compared to the state average. Some wealthier districts have a zero aid ratio.

Local Share: This equals the sum of any expenditures in excess of the cost allowances and the difference between the approved expenditures and the state share.

Districts Off Formula: Since 1982-83, school districts have annually been permitted to select the higher of the current year aid ratio or the aid ratio used in the base year. Some districts are still using their 1981-82 aid ratio. Even with this option, 49 districts have continuously had a zero aid ratio. This option provided an extra $19.3 million in state building aid to 184 districts in 1990-91.

Extent of Participation: In 1990-91, 574 of a possible 695 major school districts received building aid, 49 had a zero aid ratio and the remainder had no eligible expenses for aid.

V. TEACHER RETIREMENT

Description: The New York State Teachers' Retirement System (TRS) is constituted in accordance with Article 11 of the New York State Education Law which derived from chapter 503 of the laws of 1920. Employers (public school districts, municipalities or state agencies employing teachers and similar professionals) are responsible for the collection of employee contributions and for the funding of employer contributions to the system which is a public corporation independent of the state. The city school district of the city of New York maintains its own pension systems.

The system's board establishes the annual contribution rate and determines the annual payments due. The timing and method of payments are governed by law which includes provisions for the comptroller of the state to withhold some or all of the state aid due a district in order to make payments to the TRS for the district. If a district owes additional sums to the system, a direct payment is made.

VI. SPECIAL EDUCATION

Funding for special education for school age pupils with handicapping conditions (PHC) is provided through several programs which are described here. The cost of programs for preschool children and infants and toddlers with handicapping conditions is shared equally by the state and municipalities and is not included in this document which addresses state aid to schools.

Funding in 1990-91: $1,039.9 million (11.5% of total state school aid)

Public Excess Cost Aid for PHC	$883.7 million
Private Excess Cost Aid for PHC	66.6 million
Funding for July and August programs	78.9 million
Funding for PHC in the Care of the State	24.0 million
Deduct for school district local contribution	(13.4) million

Public Excess Cost Aid for Pupils with Handicapping Conditions

Funding in 1990-91: $883.7 million (9.8% of total state school aid)

Nature of Program: This formula represents additional operating aid for pupils in Special Education programs operated by public school districts or on their behalf by Boards of Cooperative Educational Services (BOCES) which are organized at a regional level in support of local districts. It is similar to operating aid, but enriched. The formula uses a percentage equalization (aid ratio) applied to a variable ceiling and an alternate variable flat grant based on district spending and a minimum aid ratio. [See New York State Education Law, Section 3602, Subdivisions 1 and 19.]

Units: Pupils. Resident weighted pupils with handicapping conditions represent a special services cost related full-time equivalent weighted count. (Note that all of these pupils are also in the basic AADA count for the purpose of generating operating aid.)

Local Fiscal Capacity: Combined Wealth Ratio.

How Formula Operates: Allowed Expense per-pupil (actual district Approved Operating Expense per TAPU for Expense up to $6,350, the 73rd percentile of district spending) is multiplied by an aid ratio and the result is multiplied by the resident weighted pupils with handicapping conditions. In addition to this formula, districts with children in programs in programs costing more than 3 times the districts Approved Operating Expense per TAPU for Expense are eligible for additional High Cost aid based on the actual cost of the child's Individual Education Program, including related health services.

State Share: The state share (Public Excess Cost Aid ratio) equals:

1 - (.51 x CWR of the district); but not less than .25

Thus, for the district of "average wealth" the state share is .49.

Local Share: Since the formula recognizes Allowed Expense per-pupil, the local share is generally proportional to the district's fiscal capacity, except that wealthier districts are protected by the .25 minimum aid ratio provision.

Weighting by Grade Level: None.

Adjustments for Special Factors: These additional units are based on the intensity of the special services provided to resident children with handicapping conditions and range from .13 for a pupil receiving special services for about one hour a week to 1.7 for children receiving services 60% or more of the school week.

Districts Off Formula: In 1990-91, 82 school districts received their Public Excess Cost aid under a save-harmless option which guaranteed that a district would not receive less aid in the current year than it received in the base year.

Extent of Participation: All 695 major school districts receive some aid through this formula because all districts serve some children with handicapping conditions and therefore qualify for the aid.

Private Excess Cost Aid for Pupils with Handicapping Conditions

Funding in 1990-91: $66.6 million (less than 1.0% of total state school aid)

Description: The continuum of services for pupils with handicapping conditions in the state includes authorization for public school districts to contract with an approved private school when the district committee on special education (CSE) determines, after a review of all public programs, that the approved private school program selected provides the least restrictive environment (LRE) for a free and appropriate public education (FAPE) to which the child is entitled.

The state education department is authorized to approve schools to serve children with particular special education needs, and to establish a tuition rate for such programs in accordance with a methodology established pursuant to law and approved by the state director of the budget.

School districts are required to contract at the approved tuition rate and to use a standardized method of proration for a pupil enrolled for less than a full year. Attendance within the period of enrollment is not a factor in the determination of tuition. [New York State Education Law, Article 89].

(The continuum also includes residential placements. Local social services districts are responsible for the cost of maintenance in accordance with a rate established by the state Department of Social Services which reimburses the local district for 50 percent of the cost.)

How Formula Operates: Tuition expense for each pupil in excess of the district's "deduction" is multiplied by an aid ratio to determine tuition aid. The deduct equals the sum of the district's tax levy per-pupil and 2 times the district's operating aid paid per-pupil which is paid for each such pupil.

State Share: The state share (Private Excess Cost ratio) equals:

1 - (.15 x CWR of the district); but not less than .50

Thus, for the district of "average wealth" the state share is .85.

Local Share: Since the formula recognizes tuition expense per-pupil, the local share is equal to the remainder of the tuition expense minus the sum of the tuition aid and two times the operating aid per-pupil and miscellaneous other aids paid on account of the addition of the pupils enrollment to the districts average daily attendance.

Extent of Participation: In 1990-91, 443 districts were paid private excess cost aid for public school pupils placed in approved private school.

Note: The New York State Education Department operates 2 schools (one at Rome for deaf students and one at Batavia for blind and multiply handicapped students). School districts pay tuition for pupils placed at the state schools and are eligible for state aid in accordance with the private excess cost aid formula provisions.

Funding for July and August Programs for Pupils with Handicapping Conditions

Funding in 1990-91: $78.9 million (less than 1.0% of total state school aid)

Description: The continuum of services for pupils with handicapping conditions in the state includes summer programs when the district committee on special education (CSE) determines it necessary. School districts may provide such services either directly or by contract with another public school district, a board of cooperative educational services (BOCES) or an approved private school. School districts are reimbursed by the state for the full cost of the program. [See New York State Education Law, Article 89.]

State and Local Shares: The state share is equal to 90%. Municipalities (counties or the city of New York) reimburse the state for 10% of its expenditures for summer programs.

Funding for Pupils with Handicapping Conditions in the Care of the State and Deduct for School District Local Contribution

Funding in 1990-91:	Care of the State	$24.0 million
	Deduct	($13.4) million

Description: All children with handicapping conditions have a right to a free and appropriate public education (FAPE), with access to all levels of the education continuum. Public funding for the tuition for pupils living in child care institutions or community residential programs varies depending upon the agency responsible for, and the status of, the child. [New York State Education Law, Section 3202 and Articles 81 and 89].

State Share: The state Education Department is responsible for tuition costs for children in the care of the state Office of Mental Retardation and Developmental Disabilities and the state Office of Mental Health when such children attend programs outside of their residential facility (state and local Departments of Social Services share responsibility for children in their care).

Local Share: Depending on the date of a child's commitment to the care of an agency, the child's school district of residence (definition may vary) is generally required to reimburse the state for its expenses for the education of child-in-care in the amount of the district's tax levy per-pupil.

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $372.4 million (4.1% of total state school aid)

Description: Aid for pupils with compensatory education needs is paid (1) $244 million as part of each district's operating aid — by reason of an additional .25 weighting for such pupils who are measured by a percent of ADA, where the percent is based on the proportion of 3rd and 6th grade pupils falling below minimum competence on selected state Pupil Evaluation Program (PEP) tests; (2) $121 million by a special formula for each of the 5 largest city school districts (population greater than 125,000 inhabitants) and by a formula which aids 8 city school districts of moderate size (population greater than 50,000 inhabitants) with a combined wealth ratio of less than 1.4 and a PEP percent greater than 15%; and (3) $7 million through grants to 4 of the big city school districts. [New York State Education Law, Section 3602, Subdivisions 1, 1-a, 10, 12 and 20].

Extent of Participation: All districts receive some aid for compensatory education, the extent depends in large part on need as demonstrated by pupil performance on the PEP tests.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $13.4 million (less than 1.0% of total state school aid)

Description: School districts which provide a program in accordance with state education department regulations are eligible for this aid equal to a flat grant of $196 times 3% of the districts ADA. [See New York State Education Law, Section 3602, Subdivisions 1 and 23.]

Extent of Participation: All districts participated in the program in 1990-91.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $44.1 million (less than 1.0% of total state school aid)

Description: All school districts are required to have a plan for serving limited English proficiency (LEP) pupils. The type of program (bilingual or English as a second language) provided depends on the number of pupils sharing an other than English language. Districts may provide the programs directly or by contract with a board of cooperative educational services or another school district. Districts which provide an approved program for are eligible for LEP aid equal to 15% of the per-pupil operating aid paid to the district times the number of LEP pupils served in the program. In addition to the $33.18 million paid through the LEP formula, $10.95 million was available through competitive grants for bilingual programs in 1990-91. [New York State Education Law, Section 3602, Subdivision 22].

Extent of Participation: In 1990-91, 151 districts participated in the program.

X. OTHER CATEGORICAL PROGRAMS

New York State funded 74 programs ranging from grants of $50,000 to reimbursements of $231 million. These programs are summarized here in 13 categories.

Shared Services Aid

Funding in 1990-91: $230.6 million (2.6% of total state school aid)

Description: School districts other than the 5 largest city districts are eligible to join a Board of Cooperative Educational Services (BOCES) which is governed by the component districts in accordance with education law. The BOCES is authorized to provide services to two or more districts upon request.

District expenses for most shared services and the district's share of most BOCES administrative expenses are eligible for "BOCES operating aid" (special education services are the main exception, see Public Excess Cost Aid description). The BOCES can acquire, construct or lease facilities and the district's share of the costs are eligible for "BOCES facilities aid." Statute limits allowable salary expenses for aid purposes to $30,000 per employee.

BOCES provide many occupational education programs as well as special education, LEP and selected academic programs provided by itinerant teachers and distance learning networks. In addition, they provide many management services such as computer processing and purchasing, especially for smaller districts. [See New York State Education Law, Section 1950.]

Extent of Participation: In 1990-91, 673 school districts received BOCES aid.

Big 5 Special Services Aid

Funding in 1990-91: $103.4 million (1.2% of total state school aid)

Description: The state's 5 largest city school districts (in cities with a population in excess of 125,000 inhabitants) receive Special Services aid in lieu of Shared Services aid since they are not eligible to join a board of cooperative educational services (BOCES). There are 2 categories of Special Services aid: (1) aid for high school students pursuing occupational education programs; the aid ratio formula uses a proxy for expenditures, allowing $3,272 per student in trade, industrial, technical, agricultural or health sequences, and $523.50 per student in sequences in business and marketing; and (2) computer administration aid equal to the product of an aid ratio and approved expenses, but not more than $47 per enrolled pupil. [New York State Education Law, Section 3602, Subdivision 17].

Extent of Participation: The 5 largest cities all receive this aid.

Supplemental Pupil Services Programs

Funding in 1990-91: $266.2 million (3.0% of total state school aid)

Description: A variety of 23 programs provide additional state aid either through formulas such as Educationally Related Support Services, reimbursements such as the School Lunch and Breakfast Program, and grants such as those for Magnet Schools. The focus of this group of programs are youth at risk of school failure or dropping out. Most of these programs are supported by annual budgetary appropriations, although some are based on education law. [New York State Education Law, Section 3202, Subdivisions 7 and 8 and Section 3602, Subdivisions 25, 29, 32, 35 and 36].

Extent of Participation: The opportunity to participate in programs varies from one specified district, to programs targeted to the 5 largest city school districts, to open competitive grant programs, to formula programs available to all districts electing to participate.

Teacher Support Programs

Funding in 1990-91: $183.7 million (2.0% of total state school aid)

Description: Excellence in Teaching (EIT) aid accounts for $162 million of these moneys and is paid to school districts through a percentage equalized (aid ratio) formula to be used exclusively for teacher salary supplementation, first, if necessary, to bring beginning teacher salaries up to regional medians, the remainder to increase the salaries of all district teachers in accordance with a negotiated agreement between the school district and a certified or recognized employee organization. EIT aid for teachers in boards of cooperative educational services (BOCES) is based on the average EIT aid per teacher of the component districts of the BOCES. The remainder of this funding is available as competitive grant funds for Comprehensive Instructional Management Systems (CIMS), $5.5 million, and Mentor Teacher/Teacher Intern programs to support programs for new teachers, $16.5 million. [New York State Education Law, Section 1950, Subdivision 15, Section 3033 and Section 3602, Subdivision 27].

Extent of Participation: All school districts and BOCES are eligible to apply for EIT aid.

For aid payable in 1991-92 and 1992-93, EIT aid was statutorily reduced to 32.227% of the calculated amount plus any due save harmless amount and no funding was provided for the Mentor Teacher/Intern program.

Instructional Materials Aid

Funding in 1990-91: $91.5 million (1.0% of total state school aid)

Description: School districts are eligible to receive funds for the purchase and loan of instructional materials to students in public and nonpublic schools. Aid equals the lesser of actual expenses or: $25 per-pupil for textbooks, $3 per-pupil for instructional computer software and $2 per-pupil for library materials. [New York State Education Law, Articles 15, 15-a and 16].

Extent of Participation: All school districts received this aid.

Adult Education

Funding in 1990-91: $54.9 million (less than 1.0% of total state school aid)

Description: The Employment Preparation Education (EPE) Aid program provided $45.07 million to school districts for educational programs for adults (age 21 and over) without a high school credential. Aid per instructional contact hour is equal to the product of the districts EPE aid ratio and the annual state average expense per-pupil for elementary and secondary education programs divided by 1000. In 1990-91 EPE aid per hour in a district of average wealth equaled $3.24. Districts may provide the programs directly or by contract with a BOCES. Districts may also apply for a portion of the $9.84 million available through several competitive grant programs to help meet their local share. [New York State Education Law, Section 3602, Subdivision 24].

Instructional Equipment

Funding in 1990-91: $14.1 million (less than 1.0% of total state school aid)

Description: Two formula aid programs provide aid in this category. [New York State Education Law, Section 3602, Subdivisions 26 and 34].

1. Instructional Computer Hardware and Technology Equipment aid provided $10 million in equalized aid as a reimbursement for approved expenses up to $8 per-pupil;

2. Vocational Education Equipment aid provided the remainder, also as equalized aid at a rate of $0.24 per contact hour for students in equipment intensive programs and slightly less than $0.04 per hour for business and marketing programs.

Extent of Participation: All districts with high schools are eligible to participate in these programs.

Technology Infrastructure

Funding in 1990-91: $12.5 million (less than 1.0% of total state school aid)

Description: Two programs support computer/telecommunications network building and related software development for student related and financial applications as well as electronic mail and reporting between and among school districts and the state. The Student Information System aid program funded $9 million in projects in the 5 largest cities and the Technology Network Ties program funded $3.54 million through BOCES to support development in the rest of the state. [New York State Education Law, Section 1952 and Section 3602-a, Subdivision 1].

School District Reorganization Incentives

Funding in 1990-91: $13.8 million (less than 1.0% of total state school aid)

Description: School districts may apply for Reorganization Study grants and if district voters agree to consolidate two or more K-12 districts, they become eligible for Reorganization Operating and Facilities aids. The aid programs provide a percentage increment on top of regular operating aid or building aid for eligible projects undertaken as a result of the reorganization. The aid is available over a period of years, and the percent for operating begins to decline after the first 5 years. [See New York State Education Law, Section 3602, Subdivision 14.]

Extent of Participation: 16 districts were receiving this aid in 1990-91, while approximately 20 were involved in studies.

Non-instructional Costs of Remedial Education for Nonpublic School Pupils

Funding in 1990-91: $11.5 million (less than 1.0% of total state school aid)

Description: These funds are used to support the provision of compensatory/remedial education services by public school teachers to nonpublic school students in a manner consistent with the U.S. Supreme Court decision in the *Aguilar* v. *Felton* case. Prior to the decision (July, 1985), nearly 40,000 nonpublic school pupils were receiving services in religious affiliated nonpublic school buildings from public school district personnel paid out of Federal Chapter 1 funds. As a result of the decision, districts were required to develop alternative arrangements for the provision of these services; these included mobile instructional units, neutral sites, etc.. These additional costs were supported by this appropriation [Chapter 683, Laws of New York, 1986, as amended by Chapter 53, Laws of New York, 1988]. *This program was not funded for the 1991-92 school year.*

Diagnostic Screening

Funding in 1990-91: $10.2 million (less than 1.0% of total state school aid)

Description: Education law requires school districts to screen every new entrant (regardless of grade level) to their schools and any child falling below certain performance levels. The screening includes a physical examination and a language development assessment and is intended to determine if a child may have a handicapping condition or be gifted. Diagnostic screening aid in 1990-91 equaled $8 per ADA for grades K-6. [New York State Education Law, Section 3208, Subdivision 5 and Section 3602, Subdivision 21]. *The aid provisions were repealed effective with the 1991-92 school year although the requirements remain.*

Extent of Participation: All districts received this aid in the 1990-91 school year.

Education of Native Americans

Funding in 1990-91: $8.9 million (less than 1.0% of total state school aid)

Description: New York State provides for the education of some 2,500 Native American students living on nine Indian Reservations through contracts with 13 public school districts. The districts in turn may subcontract with boards of cooperative educational services for some services to the students. Transportation contracts with commercial carriers and contracts for the operation of state owned busses are in place to meet the needs of these students. The provision of services includes three state-owned Indian reservation schools operated by neighboring school districts under contracts with the state. [New York State Education Law, Article 83].

Grants to Specific Districts or Programs

Funding in 1990-91: $8.3 million (less than 1.0% of total state school aid)

Description: The state local assistance budget affecting the 1990-91 school year included 29 grants totaling $8.31 million. The grants are prescribed for a specific school district or group of school districts, or schools or programs within a district. (Additional grants are included in the education budget for projects outside of school districts, for example funds that were to be awarded by the State Education Department for Rural Education Research.) [See Chapter 53, Laws of New York, 1990.]

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Funding in 1990-91: $40.5 million (less than 1.0% of total state school aid)

Description: In 1974, in recognition of the substantial number of pupils complying with the compulsory education law by attending nonpublic schools, legislation was enacted to reimburse nonpublic schools for the actual costs which they incurred in providing services to the state which the schools are required by law to render in connection with the state's responsibility for reporting, testing and evaluating the effectiveness of instruction. Claims submitted for expenses in the 1989-90 school year became payable in the 1990-91. At the time the budget was adopted, the claims were estimated at $32.52 million, but late claims have brought that up to $36.5 million. [See Chapter 507, Laws of New York, 1974.]

In 1979, New York State adopted the School Asbestos Safety Act (SASA) in response to rising health concerns about asbestos. Funding for asbestos abatement projects was provided annually, beginning in the 1985-86 school year to be awarded to public school districts, boards of cooperative education and nonpublic schools providing instruction in accordance with the state's compulsory attendance law. Grants were awarded according to the "degree of imminent hazard to health, as determined by an exposure scale" for up to sixty percent of the approved costs. In 1990-91, the last year for which funding was provided, the categorical funds available for nonpublic schools were $8 million. [See Chapter 53, Laws of New York, 1990.]

In 1988, as a result of the passage of the federal Asbestos Hazard Emergency Response Act (AHERA), state legislation was enacted to provide partial reimbursement to all schools for the costs of compliance with the federal inspection and reporting mandate. [Chapter 262, Laws of New York, 1988, Section 16 and Chapter 53, Laws of New York, 1990, Section 87].

The SASA statute, which contained requirements subsumed by AHERA, was repealed effective July 1, 1991.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $47 million (less than 1.0% of total state school aid)

Description: The state began appropriating funds for a developmental prekindergarten competitive grant program with $5 million for the 1966-67 school year. Periodic increases have provided for continual maintenance and expansion of the program. In a number of areas, boards of cooperative educational services (BOCES) operate the program as a shared service for two or more school districts. Funded programs must comply with regulations of the commissioner of education as adopted by the New York State Board of Regents. The regulations are designed to insure quality developmental programs for economically and/or educationally disadvantaged children, and strong outreach to and involvement of the parents of participating children. Selection includes consideration of the concentration of such children within a district or group of districts. [See Chapter 53, Laws of New York, 1990.]

Extent of Participation: In 1990-91, more than 12,500 children in more than 100 school districts participated in the program.

XIII. LOCAL SCHOOL REVENUE

The property tax is the principal source of local funding for school districts. In 1990-91, it accounted for $10,289.9 million. Approximately 240 school districts also levy a property tax to support a local library. This accounted for an additional $141.5 million of local property tax.

The imposition of property taxes preceded statehood in New York. Statutes clearly directed assessors that property was to be assessed at full value. In spite of numerous court decisions and recommendations from various legislative and executive commissions, fractional assessments remained the rule. In 1959, the State Board of Equalization and Assessment was established. By the mid-seventies, while state equalization rates were accepted as proof of the level of fractional assessments in assessment inequality cases, the courts again affirmed the requirement for full value assessment.

In 1981, after a series of legislative efforts were struck down by the courts, New York's full value standard was replaced with a uniform percentage of value assessment standard. The accuracy and currency of the state equalization rate are naturally very important, but local assessment practices among the more than 1,300 assessing units in the state are still the key to equitable distribution of local tax levies. There are nearly 3,000 school district segments when the 1,300 assessing units are subdivided by the boundaries of New York's 695 school districts. Clearly, property tax administration is essential to distribution of both tax liability and state aid.

In 1990-91, an additional $171.2 million in non-property tax revenues helped support approximately 160 school districts. Most non-property tax revenues derive from distribution of some portion of the local county sales tax prorated based on the number of public school pupils residing in the county and enrolled in the various school districts partly or wholly located within the county. A few small city school districts also benefit from the proceeds of a utility tax.

XIV. TAX AND SPENDING LIMITS

Only the 5 largest cities have constitutional tax limits, and the limits apply to the total municipal budget. Small city school districts (those with a population of less than 125,000 inhabitants) had their constitutional tax limit repealed in 1985.

XV. EARMARKED STATE REVENUE

All net revenues from the state lottery are statutorily earmarked for school aid.

NORTH CAROLINA

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I. GENERAL BACKGROUND

State

- The Public School Fund (PSF), grades K-12, is appropriated from state income and sales taxes as designated by the N.C. General Statutes and State Board of Education policy. The percentage of state support for public schools has remained relatively constant for the past 10 years ranging from a low of 62.8% in 1979-80 and a high of 70.2% in 1989-90.
- The School Machinery Act of 1933 established a state system of school finance in North Carolina that has since remained virtually unchanged. State funds for public K-12 schools are provided solely through annual appropriations and flat rate grants. The major source of funds comes from the state General Fund, derived mainly from state income and sales taxes. Funds are distributed according to personnel allotments determined on the basis of ADM. Beginning in 1991, some adjustment is made for relative wealth and local tax effort.
- Of the total current expenditures for public education, from all sources in 1990-91, 70% were derived from state sources, 22.6% from local sources and 7.4% from federal sources.
- There are 72 different categorical funding codes. While several systems attempted pilot projects using flexible funding in the 1983-84 school year, the School Improvement and Accountability Act of 1989 (SIAA) provided the first widespread attempt at allowing local district flexibility in the movement of funds between line items. SIAA was created to invite more local participation in setting accountability measures in exchange for local budgetary control to meet increased expectations.
- In 1985, The Basic Education Program was enacted by the North Carolina General Assembly to increase the level of base support for local districts. While the program funding philosophy was not towards full equalization, BEP attempted to define certain minimal programs, such as the fine arts, physical education, foreign language, and media services, that should be provided and funded by the state in all schools. The BEP also increased the staff and administration needed for adequate implementation.
- A group of small (less than 2500 ADM) school systems and systems whose limited property tax base places them in low wealth categories are currently considering bringing suit against the state for greater equalization in state funding.

Local

- The state has 134 school districts, established one per-county for 100 counties plus 34 specially chartered city units. Of these, 132 are fully fiscally dependent. Two city districts have school boards empowered by the state legislature to set a local supplemental school tax rate without approval from the local county or city government council.

- Property and local sales taxes constitute the primary sources of local revenue.
- In 1990-91, of the $1,619.5 million raised locally for public schools, $1,068.4 million was derived from county appropriations and local supplemental school property taxes. Thirty-three systems have passed local supplemental school taxes in their districts. Taxes on sales and intangibles provided an additional $53.4 million.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$3,253 million
Grants in Aid	2,886 million	
Teacher Retirement Contributions	226 million	
FICA	141 million	
Total Local School Tax Revenue		1,364 million
Total Combined State and Local School Revenue*		4,873 million
State Financed Property Tax Credits		
Attributable to School Taxes	0	

* Includes local non-tax revenue.

II. THE BASIC SUPPORT PROGRAM

Public School Fund

Funding in 1990-91: $3,252.9 million (100% of total state school aid)

For all practical purposes, all current expense funding is provided through the basic support program.

Nature of Program: Flat grant. In this modified full state funding program, funds are allocated on an adjusted flat grant basis. The adjustments attempt to advance equity by providing actual personnel costs based on state allotted positions rather than a uniform amount per position and recent funding adjustments for small and rural school systems.

Units: Pupils. Average Daily Membership.

Local Fiscal Capacity: Assessed property valuation.

How Formula Operates: The basic formula provides for a district allotment in line item categories of funding. Most categories are allocated based on average daily membership (ADM), either projected or for the previous year, based on the district's percentage of statewide ADM. The state allotment of funds is projected initially prior to the adoption of the state budget based on expected ADM, and it is adjusted when the state budget is passed by the General Assembly. On the 10th school day additional adjustments may be made where a district's enrollment has increased or decreased from the projected figures.

There is no systematic method of assigning a formula for state aid that is consistent for all categories. Most funding is based on ADM (teaching positions, and textbooks and instructional supplies), some by district lines (administrative positions), some by county lines (finance officers), and some by competitive grant (drug related educational materials, health educators).

Some of the funds are allocated by position without regard to the cost of the position. In other categories, the funding formula is an allotment of dollars. Certified staff are allocated by position. Teacher assistants, other noncertified staff, energy costs, staff development, and benefits are allocated by dollars. Finance officers are allocated one per county. In counties where there are more than one school district, the local district receives its pro-rata share of a finance officer salary based on district percentage of county ADM, and must pay the balance of the salary of that district's finance officer from local funds.

State Share: Since the state assumes full responsibility for the education of students in North Carolina, it is obligated for a minimum funding level of 100% of the theoretical base required for the district's current expense requirement. The state assumes limited responsibility for capital costs, however, with the county or city governmental unit assuming most of those costs. Some of the maintenance and operational costs (energy, custodial salaries) are shared by both entities. The state and local government have been trying for some years to establish the appropriate philosophical location and level of responsibility for capital outlay needs.

Local Share: No local contribution is required for basic program support. Although none is required for current expenditures, all counties provide some assistance. The statewide average for local contribution to current expense is 21% of the total annual budget. Capital outlay is currently assumed by local government with some funding provided by the state based on ADM and local sales taxes collected.

Weighting by Grade Level: Grade level weighting occurs in the formula allocating classroom teachers based on a class size ADM expectation in grades K-9 of 1:26 and in grades 10-12 of 1:30. Teacher assistants are allocated to K-3 grades only, at a ratio of 1:26.

Adjustments for Special Factors: In 1991, the General Assembly allocated funds for local school districts considered to be in low wealth areas or unable to operate efficiently because of the relatively small and geographically isolated nature of the school district. The formula used a regression model based on the factors of property sales potential, agricultural use value, existing utilities, and county personal property and developed a statewide readjusted average property tax base per student. Eligible systems then were then funded at their percentage of variation from the statewide per pupil average. The eligible systems receiving funds were also required to have a local property tax rate at or better than the state average.

The state has also generally made adjustments for specialized districts that are required to operate extremely small schools or contain hospital schools. Districts with extraordinary circumstances can appeal to the state board for additional allocations.

In 1991-92, $6 million was allotted for low wealth supplemental funding and $4 million for small county supplemental funding. Sixty districts received low wealth supplemental funding and 25 districts received small county supplemental funding.

Districts Off Formula: None

III. TRANSPORTATION

Funding in 1990-91: $144.2 million (4.4% of the PSF)

Description: Districts get direct aid from the state for the operation of buses owned by the local school district. Local districts purchase buses initially from local funds with approval of the state. Replacement buses, funds for the operation and repair of buses, and the employment of personnel are then provided by the state. The allocation formula is based largely on historical data and trend analysis of prior year maintenance and operating costs and adjusted annually based on fuel costs, personnel salaries, and adjustments in ridership. Because of the more frequent periodic fluctuations in ridership, special funds are allocated for the transportation of special education and summer school students based on local determination of need.

By law, students must live at least 1.5 miles from school on state maintained roads. However, locally determined hazardous conditions may allow exceptions where needed.

The state has contracted with a consulting firm to study the efficiency of local districts' transportation systems. Pending the outcome of this study, the state is revising its current funding formula to use a derived efficiency rating to adjust allocations to districts. Efficiency ratings will be based on such factors as local expenditure for transportation, ridership, miles driven, and "deadhead" miles traveled between bus stops.

State and Local Shares: Local districts may, but are not required to supplement driver salaries and fuel cost allocations. While districts can buy additional buses from local funding, the state must approve these purchases.

Extent of Participation: 134 districts (100%)

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

Aid is provided for capital outlay funding for construction of facilities through 3 state sources: the state's Public School Building Fund, the state's Critical School Facility Needs Fund and two local option state sales tax distributions. Other capital outlay funding comes from local sources and may be from local county appropriations, sale of bonds, and accumulated cash reserves.

Public School Building Fund

The state makes a quarterly payment of $250 million plus 1/7th of the monthly corporate income tax collections to local school districts through its Public School Building Fund. These funds are allocated to the local county governmental unit based on county ADM for redistribution to districts. Local county commissioners are not required to allocate to districts by ADM but must authorize the funds only for use in state approved capital construction projects.

Critical School Facility Needs Fund

The state Critical School Facility Needs Fund is endowed by a one time grant of $40 million plus a quarterly payment of $2.5 million. Local school districts may apply for grants from the Critical School Facility Needs Fund to meet a local district critical need dictated by state building standards. Grants are made to districts perceived to have the greatest critical building needs as determined by the district's inability to meet statewide school facility minimum standards from other sources of capital funding.

State Sales Tax

In 1983 and 1986, the state passed Article 40 and 42, respectively, which authorized local sales tax referenda to give county governments the option of levying a 1 cent addition to the state sales tax. Under each Article, the sales tax restriction carried a 10 year limitation, restricting a portion of the tax to use for school construction. The restricted portion of Article 40 was 30% in 1990-91 and the restricted portion of Article 42 was 60%. After 1993 and 1996, the local county government may begin to use the local option tax for other uses than school construction.

Periodically, the state has authorized state wide bond referenda for school construction, the most recent of which was approved in 1980.

Other Debt Service

Districts may also fund capital outlay programs through a local pay-as-you-go plan which requires a long term commitment by the school district and its fiscal authority, the county commission. Since this method requires agreement of both the district and the local governmental body, it provides the most local autonomy. It is unduly limiting to low wealth and rural districts due to a limited property tax base. Of the local revenue sources, bond sales are the most common source of capital outlay funding methods for school construction. Bonds require voter approval and are regulated by the local county commission. In establishing limits for bond sales, the local district is restricted to a maximum debt ceiling of 8% of the tax base in each county.

The State Literary Fund provides short term loans to districts for emergency capital outlay needs. The maximum loan amount per county is $300,000 for a period of 10 years. Additionally, the Literary Fund limits the loan amount to the maximum legal bonding capacity of the district and sets a ceiling of 2/3 of the previous fiscal years' net debt reduction. Loans from the State Literary Fund are subject to the availability of funds.

V. TEACHER RETIREMENT

Funding in 1990-91: Retirement $226.3 million (7.0% of the PSF)
FICA $141.1 million (4.3% of the PSF)

Description: The State Public School Fund appropriates benefits in total for retirement, social security, hospitalization, and longevity. Benefits are distributed to designated groups based on the percentage of all personnel associated with each group. Other appropriated benefits in 1990-91 were: longevity, $8.5 million; social security, $141.1 million; and hospitalization, $103.5 million. The state allocates each of the benefits categories to local districts.

State and Local Shares: Membership in the retirement system is mandatory for each state employee. The state contribution for retirement for each employee was 11.74% in 1990-91. Retirement contributions for state funded employees are paid for by the state directly into the retirement fund. The rate of contribution varies annually according to the fiscal health of the state retirement fund. A matching 6% is required by the employee which is deferred from payment of state and federal taxes. There is no local match for state paid positions.

The local district pays into the state retirement fund on behalf of locally paid employees. Employees of local districts, such as locally paid teachers, administrators, and secretaries, who are hired above and beyond state allocations do require a local contribution by the district at the same contribution rate of 11.74%. Employees must also contribute at the 6% rate.

Extent of Participation: 134 districts (100%)

VI. SPECIAL EDUCATION

Funding in 1990-91: $253.7 million (7.8 % of the PSF)

Description: There are 3 separate categories of state aid for exceptional children: The exceptional child program allotment, the preschool 3- and 4-year-old program allotment, and the related services allotment.

The standard program allocates to districts $1,768 per child in exceptional programs. The allocation is based on the lesser of the June 1 headcount or 12.5% of the prior year actual ADM, plus the lesser of the June 1 Academically Gifted head count or 3.9% of the prior year actual ADM weighted by 1/3.

The 3-and 4-year-old program allocates funds for preschool handicapped children based on the formula of $7,500 per district with the remainder of the distribution based on 5% of ADM. Districts are held harmless to their 1989-90 federal allotment.

The related services allocation provides for transportation and such developmental, corrective, and other supportive services as are required to assist a child with special needs to benefit from special education. In 1990-91, this category provided districts with an additional $166.09 per headcount, using the same headcount data that were used for the exceptional program.

The Academically Gifted program is funded through the exceptional childrens' allocation. Funding per student is limited to 3.9% of the prior year ADM weighted 1/3. (While such a weighting factor actually yields a funding level of 1.3%, the state continues to use "weighted 1/3" as terminology in its funding description.)

State and Local Shares: State and federal allocations constitute 100% of the required exceptional children funding.

No local share is required except as needed to provide adequate programming to all eligible children. Some districts share responsibility for specific program areas with neighboring districts.

Extent of Participation: 134 districts (100%)

VII. COMPENSATORY EDUCATION

In addition to the state initiatives listed below, state aid to schools includes federal grants for several compensatory categories.

Remediation

Funding in 1990-91: $12.8 million (less than 1.0% of the PSF)

Description: The state provided remediation support for local districts with 60% of the total allocation distributed equally at $184.54 for each student that failed the most recent Competency Test and 40% distributed equally at $254.50 for each student scoring below the 35th percentile on prior year eighth grade California Achievement Test (CAT). There is no required local match.

Extent of Participation: 134 districts (100%)

Summer School

Funding in 1990-91: $31.4 million (less than 1.0% of the PSF)

Description: There are two allocation categories, instruction and transportation. The state allocates the instructional portion based on $20,000 per county with the remainder allocated on a basis of 3 year average CAT scores for students in grades 3, 6, and 8. Each district receives its proportional percentage based on the number of students in these grades that score below the 25th percentile. The percentage is then applied to the total allocation received from the General Assembly. Funding for summer school transportation is part of the total summer school allocation and is based on the approved operating budget submitted by each district.

Extent of Participation: 134 districts (100%)

Dropout Prevention/Students At Risk

Funding in 1990-91: $30.4 million (less than 1.0% of the PSF)

Description: Each district earns 1 position per eligible school funded at $36,681 with the remaining funds distributed equally for grades 7-12 ADM at a rate of $37.12.

Extent of Participation: 134 districts (100%)

Developmental Day Care

Funding in 1990-91: $3.6 million (less than 1.0% of the PSF)

Description: Each district may prepare and submit a program proposal which must include a request budget. Each district with an approved program receives $656 in state funds per month per child. An additional $25 per child in the approved program is allotted for supplies.

Extent of Participation: 134 districts are eligible to apply

Willie M. Class

Funding in 1990-91: $3.6 million (less than 1.0% of the PSF)

Description: This aid category was created, as a result of a state lawsuit, to address students with special needs beyond the scope of traditional exceptional child programming in the behavioral category. Districts are allocated $2,719 per classified Willie M. child funded in 1989-90. After the December 1, 1990 headcount, the state changed the allotment to an applications based appropriation. The formula is adjusted for add-ons for Special Education children, state aid, federal funds, and ADM.

Extent of Participation: 134 districts are eligible to apply

VIII. GIFTED AND TALENTED EDUCATION

Funding for this category is included in a district's state exceptional children allocation at the same rate as other categories of exceptionality ($1,768 per eligible child) subject to a maximum funding level of 3.9% of the prior year ADM for the district weighted 1/3. Funding cannot be disaggregated because of its inclusion in the total exceptional children program budget.

IX. BILINGUAL EDUCATION

Funding for Bilingual education is offered through basic program support. Districts are encouraged to offer English as a second language and foreign language programs for both elementary and secondary students but receive no special funding to do so. Participation is subject to local control and cannot be determined as a separate funding item.

X. OTHER CATEGORICAL PROGRAMS

School Improvement and Accountability Act Funds

Funding in 1990-91: $36.9 million (1.1% of the PSF)

Description: SIAA funds were provided in 1990-91 for local school districts to develop accountability and performance-based pay plans for all certified employees in the district. Participation was voluntary by each district. After accountability and performance based pay plans were accepted by the district and state, state accreditation was waived and certain state and local accountability goals were established. The state required that 30 specific performance indicators related to the statewide testing program be adopted and, in exchange, the state provided an additional 2% of the district's gross certified salary to the district to be redistributed in a performance-based pay program. The plan was developed by affected employees and approval required an affirmative vote by 51% of the affected employees plus the local board of education.

Extent of Participation: 134 districts (100%)

Vocational Education

Funding in 1990-91: $193.5 million (5.9% of the PSF)

Description: Local school districts are held harmless to 1984-85 allotted months of employment. Additional funding provides months of employment to districts based on 1 month per 9.5 ADM in grades 7-12. Funds may be used for employment of teachers and purchase of supplies and equipment.

Extent of Participation: 134 districts (100%)

Staff Development

Funding in 1990-91: $7.7 million (less than 1.0% of the PSF)

Description: Local school districts receive an equal allocation of $15,053 representing 25% of the total appropriation in this budgeted item. The additional 75% is allocated at $5.57 per ADM. All funds are to be used for staff training.

Extent of Participation: 134 districts (100%)

Dropout Prevention

Funding in 1990-91: $30.4 million (less than 1.0% of the PSF)

Description: Each eligible school receives an allocation of 1 position at $36,681 for the employment of a dropout prevention counselor. The remainder of the funds are allocated equitably at $37.12 per grades 7-12 ADM.

Extent of Participation: 134 districts (100%)

Alcohol and Drug Defense

Funding in 1990-91: $1.2 million (less than 1.0% of the PSF)

Description: All funds are to be used for drug education and drug related social education programs and are allocated by competitive grants.

Extent of Participation: 134 Districts (100%)

Career Development Pilot Sites

Funding in 1990-91: $38.3 million (1.2% of the PSF)

Description: In 1985, the state began 16 career ladder developmental pilot programs in local school systems. Beginning with an initial 5% salary increment, the pilot systems paid teachers for successfully implementing the components of a career ladder and professional development plan. In 1990-91, legislation was passed to begin phasing in a 7% cap on the increments available to the pilot systems. This cap is intended to equalize salary increments in career ladder pilot systems and districts that opted for SIAA performance based pay plans.

Extent of Participation: 16 districts (12%)

Child Nutrition

Funding in 1990-91: $11.9 million (less than 1.0% of the PSF)

Description: Each local school district is allocated 1 position at $38,242 to employ a child nutrition director. The remaining funds are allocated based on ADM for other purchases.

Extent of Participation: 134 districts (100%)

Community Schools

Funding in 1990-91: $4.4 million (less than 1.0% of the PSF)

Description: Each local school district receives $32,706 for the administration and promotion of community use of school facilities.

Extent of Participation: 134 districts (100%)

Driver Education

Funding in 1990-91: $25.8 million (less than 1.0% of the PSF)

Description: The North Carolina Motor Vehicle Code requires driver education for students seeking a driver's license prior to age 18. Public schools are allocated 1 month of employment for each 14 students in ninth grade ADM to instruct students in driver safety training. In addition, each district receives $4 per car per day for operational expense.

Extent of Participation: 134 districts (100%)

Duty Free Period

Funding in 1990-91: $1.7 million (less than 1.0% of the PSF)

Description: North Carolina statutes require each district to provide each teacher with a 30 minute duty free period each day. Funds to assure the implementation of this requirement are allocated at $2 per ADM. Where the district can provide for the 30 minute duty free period without using these funds, the funds may be used as needed in any current expense funding category.

Extent of Participation: 134 districts (100%)

Health Education

Funding in 1990-91: $2.2 million (less than 1.0% of the PSF)

Description: Each school district may submit a plan for the development of a comprehensive health education program which may include the employment of a health education coordinator. Funds are allocated at $45,242 per approved application.

Extent of Participation: 134 districts eligible to apply (100%).

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $3.7 million (less than 1.0% of the PSF)

Description: To help local districts implement Title II of Public Law 99-457, funds were allocated for use by the district in identifying 3-and 4-year-old handicapped children, facilitating appropriate services outside the school, and providing services as needed within the district. Funding ($287,000) was also provided in a separate allotment for preschool screening. Funding for this category was based on an equal initial allocation of 1 average teacher salary plus benefits ($34,188) plus a prorated distribution of the remaining funds based on 5% of the district's total ADM. All districts were held harmless to their level of federal funding in this category. No state funding was provided to assist regular education for 3-and 4-year-old children.

Extent of Participation: 134 districts (100%)

XIII. LOCAL SCHOOL REVENUE

Most of the funding from local sources is derived from local property taxes, locally passed supplemental property taxes, and local option sales taxes. Districts receive appropriations in both current expense and capital outlay categories. Other local receipts are derived from fines and forfeitures, Alcoholic Beverage Control revenues, local school fees, food service sales, and other miscellaneous sources.

Of the $1,619.5 million raised locally for public schools, $1,068.4 million was derived from county appropriations and local supplemental school property taxes. Local supplemental school taxes have been passed in 33 systems. Taxes on sales and intangibles provided an additional $53.4 million. Other receipts were derived from fines and forfeitures, ABC revenues, and other miscellaneous sources. All figures in this section include expenditures for both current expense and capital outlay.

There is no known attempt to standardize property assessment practices beyond the current practice of requiring that a reassessment be conducted every 8 years. Most systems solve the standardization issue by contracting with one of several firms that perform this service for a fee for county governments. A few counties are attempting to use computer modeling on an annual basis to replace the current 8 year reassessment practice.

XIV. TAX AND SPENDING LIMITS

North Carolina imposes no spending limits on local districts. Most of the current expense responsibilities are assumed by the state, while capital expenses are assumed by the local district. In recent years, there has been increasing philosophical disagreement between local and state policy makers on how much of the capital outlay responsibility belongs at each level. Because there are no local limits, local expenditures vary widely from a low of $316.04 per pupil to a high of $1,895.92 (based on 1989-90 data).

North Carolina General Statutes provide a maximum limitation of $0.50 per $100 of property valuation for local supplemental school taxes. Large districts, those with more than 100,000 total population, may levy up to $0.60 per $100.

Voter Approval of Bond Issues

The Local Government Commission in North Carolina operates as a Department of the State Treasurer and has the responsibility of approving or disapproving the issuance of local government bonds and notes. Local governments may not levy local taxes nor issue bonds without voter approval except for necessary expenses, but schools are not subject to this limitation. There is a constitutionally established district debt limit of 8% of the tax base in each county as determined by appraised valuation. There is a $0.20 limitation on county tax rates, but education is among the several functions exempted from the limitation. The only notable exception on local finance that does affect school debt is that voter approval is required for a school district's current year indebtedness to exceed two-thirds of the amount by which a school district reduced its prior year indebtedness.

XV. EARMARKED STATE REVENUE

There are 2 local option sales taxes which, if locally approved, have provided mandatory revenue for school aid. Both taxes are earmarked for capital outlay funding.

1. Article 40, passed in 1983, authorizes, in 1990-91, a 30% restriction for school construction projects.
2. Article 42, passed in 1986, authorizes, in 1990-91, a 60% restriction for school construction projects.

Both articles provide a 10 year limitation on the restricted funding levels.

NORTH DAKOTA

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I. GENERAL BACKGROUND

State

- The state share of the federal-state-local mix of revenues for North Dakota elementary and secondary schools has decreased in recent years. In 1981-82, the state share of per pupil costs approximated 64%. By 1989-90, that share had decreased to about 47%.
- The state maintains 2 programs to support the general costs of elementary and secondary education. The first, a quite typical foundation program, supports students on a weighted Average Daily Membership (ADM basis). The second, the "state tuition fund" supports students in proportion to the number of school age children, ages 6 to 17, residing in the school district — a census count basis.
- The revenue sources for the foundation program were secured, in 1990-91, from the income tax (28.3%), sales tax (37.6%), mineral taxes (12.1%), and other sources (22.0%). Revenues for the state tuition fund were secured from the "net proceeds arising from all fines for violation of state laws, from leasing the school lands, and the interest and income from the state permanent school fund" (NDCC 15-44). In 1990-91, the foundation program level was set at $1,545, decreased to $1,431 because of revenue shortfalls, and then increased to $1,488 when revenues again increased. In that year the state tuition fund provided each census unit with $198.
- The present foundation program was enacted in 1973. The foundation level has increased from $540 in 1973-74 to a projected $1,608 for 1992-93. In addition to changes in the foundation level, the law has been modified since 1973 to include kindergarten and preschool students, to create an index category for grade 7-8 students, to modify indices for elementary and secondary students, and to change the "deduct" from 20 to 22 mills.
- Districts levying fewer than 180 mills are permitted to increase their local revenues by as much as 18% and those levying more than 180 mills are restricted to a revenue increase of no more than 4% by the 1991 legislature. Districts with unlimited levy authority have no restrictions other than that they can have their authority repealed by a vote of the people. The "taxable value" — the base to which millages are applied — ranges from 4.5% to 5.5% of true value. This accounts for the high millage rates which characterize North Dakota practice.
- In 1989, the state legislature enacted a "School District Boundary Restructuring" program which provided between $125 and $165 per pupil incentive payments for consortia of districts "for the purpose of increasing the educational opportunities for students and the sharing of school administrators and business managers" (NDCC 15-27.6).

- The state is a defendant in a lawsuit brought by the Bismarck Public Schools plus 8 other plaintiff districts. The complaint alleged that the financing mechanism disadvantages property poor districts and that the present system fails to meet standards expressed in the Constitution: "The legislative assembly shall make provision for the establishment and maintenance of a system of public schools" (Article VIII, Section 1 of the North Dakota Constitution) and that the "legislative assembly shall provide for a uniform system of free public schools throughout the state" (Article VIII, Section 2). Disparity existed in per pupil costs (1989-90 range for high school districts: $2,282 to $7,767) and in local levies for school purposes (1990-91 range for non-Indian high school districts: 74.75 to 231.42 mills). The mean per pupil cost for the state was $3,427 for all students in 1989-90 and the mean levy for all school costs was 177.47 mills in 1990-91.

Local

- The state, in 1989-90, had 208 high school districts which offered instruction at all levels K-12, 48 "graded elementary" districts which offered K-8 instruction, 12 "one room rural" districts most often offering K-8 instruction, and 8 "non operating" districts. The latter group tuitions their students to neighboring schools. The 276 districts are fiscally independent.
- Property taxes constitute the sole source of local district tax revenues. Some local enhancement efforts, notably fees for participation and foundation development, seem to be increasing in number and in scope.
- Local school districts provide for capital expenditures through bond issues or from accumulations in the building fund. The state does maintain a low interest loan fund which may provide assistance to a maximum of $3 million.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$229 million
Grants in aid	229 million	
Teacher retirement	0	
FICA	0	
Total Local School Tax Revenue		177 million
Total Combined State and Local Revenue		406 million
State Financed Property Tax Credits Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1990-91: $169.7 million (74.1% of total state school aid).

Nature of Program: Foundation plan (NDCC 15-40.1).

Units: Pupils. Average Daily Membership (ADM). Weighted units are derived from fall membership counts or the average daily membership for the preceding year, whichever is greater, multiplied times an index number. The index numbers are different for different sizes of schools and for different grade levels and were derived, originally, from cost data which evidenced size and level differences.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: The North Dakota foundation program works in this way. A "gross entitlement" is calculated by multiplying the number of enrolled students in membership times an index number times the foundation level.

In 1990-91 the indices were as follows:

Grades 1-8 (1 teacher)	1.28
Grades 1-6 (1-99 ADM)	1.09
Grades 1-6 (100-999 ADM)	.905
Grades 1-6 (1000+ ADM)	.95
Grades 7-8 (All—except one room rural)	1.01
Grades 9-12 (1-74 ADM)	1.625
Grades 9-12 (75-149 ADM)	1.335
Grades 9-12 (150-549 ADM)	1.24
Grades 9-12 (550+ ADM)	1.14
Eligible preschool	1.01
K	(1/2 times elementary index times proportion of full school year which kindergarten was held)

Suppose enrollments were 100 pupils per grade, weighted pupil units (WPU) would be calculated in the following manner:

Grade	*Enrollment*	*x*	*Index*	*=*	*WPU*
K	1/2 x 100		.905		45.25
1-6	600		.905		543.00
7-8	200		1.01		202.00
9-12	400		1.24		496.00
					1286.25

The gross entitlement would be calculated by multiplying WPU times the foundation level payment of $1,488. The net entitlement would be calculated by reducing the gross entitlement by 22 mills times the latest equalized assessed (taxable) valuation (the "deduct" in local parlance).

The net entitlement is distributed in 9 payments September through May. The first 2 payments equal 15% of the net entitlement and the remaining 7 equal 10% of the net entitlement. The November payment is adjusted upwards or downwards to account for an underpayment or overpayment for the previous year. (Payments are based on last year's ADM or fall membership — whichever is greatest — and then adjusted for actual enrollment experience reported in June).

A feature of the entitlement calculation behavior deserves comment. Notice that a district could earn a higher number of weighted pupil units at a lower enrollment then at a higher enrollment if enrollments happened to be near the points where indices change. (Example: A school with 149 students in grades 9-12 would earn 198.915 weighted pupil units [149 x 1.335]; a school with 151 students in grades 9-12 would earn, apparently, 187.24 weighted pupil units [151 x 1.24]). If the program actually worked that way, an administrator could increase revenue by getting rid of students. That potential is eliminated by assuring districts that they will receive at least the number of weighted pupil units which they would have earned by enrolling the maximum number of pupils in the lower size category. In the example both schools would be eligible for 198.915 weighted pupil units.

State Share: The state share is equal to the calculated gross entitlement minus the 22 mill local district deduct.

Local Share: The local share is equal to the 22 mill deduct. The 22 mill local fair share contribution is not a qualifying rate; it is simply an equalizing factor. Schools must, however, maintain state accreditation to receive the maximum entitlement.

Weighting by Grade Level: See above

Adjustments for Special Factors: None.

Districts Off Formula: 1 district

The State Tuition Fund

Funding in 1990-91: $23.7 million (10.4% of total state school aid).

Description: North Dakota maintains a second general school aid program — the state tuition fund commonly called "tuition apportionment" (NDCC 15-44). The tuition apportionment program funds are distributed quarterly to districts and are based on a census count. Each district must conduct a census count in May of each odd numbered year. The count employed for the distribution is the number of "school age" children, ages 6-17, residing in the district.

State and Local Share: In 1990-91, tuition apportionment supplied $198 for every "census unit." The state pays the full cost of this program.

Extent of Participation: All districts

III. TRANSPORTATION

Funding in 1990-91: $17.5 million (7.6% of total state school aid).

Description: Districts are reimbursed for approved costs of transporting public school students in regular and certain vocational education and special education programs (NDCC 15-40.1-16).

State and Local Shares: The state employs a formula which provides a higher level of support for larger buses than for smaller buses. In 1990-91, that support was 25 cents per mile for vehicles with a capacity of 9 or fewer pupils and 65 cents per mile for vehicles with a capacity of 10 or more pupils. In addition, districts operating large buses received 25 cents per day for each pupil transported for those pupils residing outside city limits.

Districts received 12.5 cents per ride for students transported who reside within city limits; in this case, however, no mileage payment is made.

To receive transportation payments, students must reside a certain minimum distance from the school, districts must meet all standards for school buses, and districts must certify that all qualifications and training for drivers stated in law and regulation are met. The superintendent of public instruction is responsible for administering the process for certification of compliance with all requirements.

The state also supports transportation costs associated with special education and vocational education. The support level parallels the support for general transportation except that no distinction is made, in this section of the law, between pupils residing within or outside city limits.

Finally the state supports "family transportation," a system which subsidizes districts for supporting transportation to school by the rural family. As of late 1991, fewer than 10 districts had used this plan and, then, usually for very few students in unusual and temporary situations; however, the state support level was increased in 1989 and several additional districts are examining this option as a substitute or, more often, an alternative program of transportation. The belief is that in some instances the number of bus routes might be reduced where such alternative plans were adopted.

Districts are responsible for those costs not covered by state transportation aid.

Extent of Participation: Although all districts are eligible for transportation aid, 3 districts did not participate. During the 1989-90 school year 36% of the student membership in public school districts were provided home to school to home student transportation services. In addition, approximately 1,000 students received support for in-city rides on commercial buses.

IV. CAPITAL OUTLAY AND DEBT SERVICE

The state maintains a capital project loan fund, the State School Construction Fund (SSCF), which provides construction loans of up to $3 million for districts which have building projects and which meet certain effort and debt criteria (NDCC 15-60). The loans, at a 2.5% interest rate, are a popular but modest element in district planning for construction.

The state does not provide additional capital outlay financing. State law does, however, specify how local districts might borrow or accumulate resources for capital projects. For a more complete discussion of this subject, consult the *Journal of Education Finance* 13 (Spring 1988), pp. 382-385.

The local district may issue bonds for up to 10% of the assessed valuation of the district where a "super majority" of 60% of the qualified voters voting on the project(s) proposed approve. Successfully passing a bond issue includes authority to establish a "sinking and interest" fund supported by the property tax, which is used to amortize the debt (NDCC 21-03).

School boards may secure authority from the electorate to establish and maintain a "building fund" (NDCC 57-15). Where this capacity is authorized, up to 20 mills may be levied each year for this purpose. Districts may secure authority for fewer than the 20 mill maximum. Further, districts do not have to levy the maximum permitted each year to retain the authority to levy the maximum in a subsequent year. The authority remains until abandoned by the board or interrupted by an initiated process. The building fund permits boards to accumulate dollars for anticipated projects.

In 1985, the North Dakota legislature established an alternative bonding procedure. School boards may issue bonds on their own initiative — subject to certain notice and process requirements — and amortize the issue from the district building fund (NDCC 21-03).

Finally, districts may appropriate part of their current operating budgets for capital outlay expenditures. They can do this by spending from several accounts permitted in the budget or by transferring funds from the general fund to the capital projects fund.

V. TEACHER RETIREMENT

The state does not contribute to a teacher retirement fund. The state, however, does specify the level of individual contribution and district match. Similarly, the state legislature approves changes in payout formulae based on recommendations from fund administrators and from actuaries. In 1990-91, teachers contributed 6.75% of their salaries and employers matched that level of contribution (NDCC 15-39.1-09).

Many other school employees — the classified staff — may secure retirement benefits by participation in a separate system — the Public Employees Retirement System (NDCC 54-52-01). In this system, employees contribute 4.0% of their salaries or wages and employers contribute 4.12% of those salaries or wages (NDCC 54-52-05).

VI. SPECIAL EDUCATION

Funding in 1990-91: $12.2 million (5.3% of total state school aid).

Description: North Dakota employs an "approved program" basis for state sharing in the costs of special education (NDCC 15-59). Each year, district officials propose the programs (services) they intend to supply in the succeeding year. Where incidence of the handicapping condition warrants that level or amount of service, program administrators in the Department of Public Instruction approve the programs. Revenues (state shares) are then distributed to districts in 3 installments. The first payment, in August, equals 50% of the amount for which the district was eligible based on the previous year's approved program personnel. The second payment, in January, raises the level of support to 80% of the current year's approved program eligibility. The final payment, during the summer, completes the payment of the state share.

State and Local Shares: The level of state share is determined by dollars available (appropriated) and by service required. A schedule of support levels is published annually to assist district officials in planning and budgeting. State support for special education programming is augmented by federal supports — $4.6 million in 1990-91. The level of support varies by the service performed. In general, however, the state share of excess costs approximated 40% in 1990-91.

The rurality of North Dakota makes the provision of low incidence services particularly difficult. The state response to this circumstance is contained in support for special education transportation (NDCC 15-40.1-16.1), in enabling legislation for multidistrict special education units (NDCC 15-59.2), and in the provision for boarding home care for special education students (NDCC 15-59.3). Still another way in which the state addresses this circumstance is to pay the "excess costs" (those exceeding 2.5 times the state average cost) whether the student is educated in another district (NDCC 15-59-06) or in the home (NDCC 15-59-06.2).

The schedule of state supports for services in 1990-91 follows:

Position	*State Reimbursement*	*Notes*
Director of Special Education	$14,025	Prorated downwards if units contain fewer than 3,000 employees
Program Consultant or Coordinator	$10,285	Supervising 6 or more special education personnel
Speech pathologist, SLD, Psychologist, Social worker, Gifted, Audiologist	$8,882	Master's required for most positions
Emotionally disturbed, Severely multiple handicapped	$6,545	
Speech pathologist, Social worker, Adaptive PE, Physical therapy, Occupational therapy, Gifted, Preschool handicapped, Visually impaired, Hearing impaired, School psychology intern	$6,078	Bachelor's degree for most positions
Educable mentally handicapped, Trainable mentally handicapped, Resource room teachers, Vocational special needs teachers	$2,338	
Tutors in training		Supports personnel not yet fully qualified
Level 1	$4,208	
Level 2	$5,142	

In addition, state transportation payments are provided for the transportation of students for special education purposes. In 1989-90 approximately 2000 students were transported 3,718,592 miles for special education services.

The state reimbursement system for special education services is currently under review. The reimbursement program receiving serious consideration would reimburse special education programs a percentage of allowable costs for specific programs and expenditure objects.

Districts are responsible for those costs not covered by state special education aid.

Extent of Participation: All districts participate.

VII. COMPENSATORY EDUCATION

The state does not fund nor require a compensatory education program. Most school districts, however, participate in the federally funded Chapter One program. Certain special education programs — particularly the prekindergarten efforts — target populations requiring compensatory assistance. Similarly, the federally funded Head Start program targets populations for whom compensatory education is indicated. Finally, still another federally funded program, focused on the dependents of migrant workers, functions in several communities each summer.

VIII. GIFTED AND TALENTED EDUCATION

The state does not support a program for gifted and talented education with a specific designated appropriation. The state Department of Public Instruction, however, encourages these programs and promotes their development with technical assistance.

During the summers of 1990 and 1991 the Department of Public Instruction supported the enrollment of 40 students in conceptually challenging mathematics and science programs on the North Dakota State University campus with federal funds and proportionate summer school pupil payments from state foundation aid.

IX. BILINGUAL EDUCATION

The state does not support a program of bilingual education with a specific designated appropriation. On several of the federal Indian reservations, American Indian groups have secured federal support for teaching — and maintaining — their native languages. A recent data initiative will require that schools collect information concerning the spoken home language of all students and report the kind and extent of services provided to limited English proficient students in membership.

X. OTHER CATEGORICAL PROGRAMS

In 1991, the legislative assembly approved an appropriation of $150,000 to support grants of up to $2000 dollars or 30% of the cost, whichever is less, for the purchase of school district accounting software and computer equipment.

Vocational Education

Funding in 1990-91: $3.4 million (1.5% of total state school aid).

Description: North Dakota employs an "approved program" basis for state sharing in the costs of vocational education (NDCC 15-20.1-03). The Board of Vocational Education in North Dakota has a mission which extends to support for vocational programs in 3 community colleges which are part of the higher education system of the state and to programs such as the adult farm management program. For this reason, it is difficult to disaggregate state funding for vocational education to calculate support for secondary programs accurately.

State and Local Shares: The calculation of state funding for secondary vocational education slightly exceeded $3.4 million in 1990-92; this amount was augmented by federal grants of $2.3 million. That level of support was estimated to cover about 32% of the salaries of teachers in occupational programs. Some supports were granted for "exploratory" vocational programs; cooperative efforts between districts or in multidistrict centers received additional incentive payments. Many of the federal dollars were distributed on a competitive grant basis. These grants were primarily for equipment purchases and new program development.

Districts are responsible for costs not covered by state aid.

Extent of Participation: 8 high school districts did not participate.

School District Boundary Restructuring

Funding in 1990-91: $0.6 million (less than 1.0% of total state school aid).

Description: The 1989 legislature crafted an incentive program which permitted districts to receive up to $165 per pupil for cooperative collaborative effort. In 1989-90, four "consortia" embracing 20 school districts developed proposals which were approved. These units secured initial funding in 1990-91.

In 1990-91 another 7 consortia embracing 39 districts developed proposals which were approved. In 1991-92, another 5 consortia embracing 32 school districts secured planning grants which could eventuate in incentive payments. The incentive payments may be realized for as many as 5 years. To secure the last 2 years of incentive payments, however, the units must have reorganized into a larger administrative unit. The law requires a successful consolidation vote during the third year of collaborative effort for the incentives to continue two additional years.

Funding for the 1991-93 biennium was increased to $5.9 million to support this initiative. The writers can predict with assurance that the 1993 legislature will have a difficult decision regarding the level of support for this initiative since participation has exceeded initial projections.

Other Categorical Programs

The state legislature in 1989 funded additional programs, services, and institutions in an omnibus appropriation bill. Most of these activities did not affect elementary and secondary education funding availability directly and many of the programs were modest in size and scope. Nevertheless, they define a focus and signal a commitment which may be predictive of future funding. The list of these activities would include support for telecommunications grants, for displaced homemakers, for public libraries, for the state library, and for residential institutions — the School for the Deaf and the School for the Blind. Similarly, the state Department of Public Instruction secured capacity to provide technical assistance and to subsidize modest grant activities made possible by federal block grant programs.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

State law contains 1 provision which permits private school pupils to ride on public school buses. The state, however, does not provide support for this activity. State law also contains accommodations for special education services and vocational education services for private and parochial school pupils who receive services in public schools. In such instances "proportional" funding supports the activity.

XII. PREKINDERGARTEN EDUCATION

In 1990-91, the state provided an average payment of $1,495 for the 693 students served in the preschool special education program mandated by the state. (These dollars were incorporated in the state support figures reported in Section VI, Special Education.)

XIII. LOCAL SCHOOL REVENUE

Local revenue is derived primarily from the property tax. In 1990-91, the estimate of local property tax collections exceeded $152.6 million. In addition many districts receive "county" revenues from the proceeds of mineral taxes. In 1990-91, these sources provided an estimated $7.6 million for schools.

In 1990-91, property tax levies for local school districts ranged from 0 to 231 mills for all purposes and from 0 to 213 mills for "general fund" purposes. The average millage for districts for all purposes was 177 mills and 157 mills for general fund purposes. North Dakota has a true value-assessed value ratio of .50. In addition, North Dakota employs an assessed value-"taxable" value ratio of from .09 to .11. Accordingly, the "taxable value" — the base to which millages are applied — ranges from 4.5% to 5.5% of true value. This arrangement, of course, accounts for the high millages which characterize North Dakota practice.

The mineral taxes — coal extraction, coal conversion, and oil and gas production — are collected by the state. A portion of the tax, inversely related to production, is returned to the counties to be distributed to several jurisdictions including schools. The amount realized by the school district is calculated using a formula which includes a proportion of the total county revenue earmarked for schools divided by all pupils in the county (in ADM or, in one instance, in ADA) multiplied by the number of pupils in the school district. The wide disparity in amounts of revenue generated for the counties, the great differences in county school census figures, and the application of special rules for counties with different sized populations makes it impossible to generalize regarding effects on any unitized (as per pupil) basis.

Property Tax Circuit Breaker

While the state of North Dakota does not have circuit breaker laws as such, provisions are contained in state law (NDCC 57-02-08.1) for property tax credits for persons 65 years of age or older with limited income or any person certified as permanently and totally disabled. Any individual meeting the foregoing requirements with an income of $13,000 or less from all sources, including any county, state, or federal public assistance benefits, social security, or other retirement benefits, is eligible to receive a reduction in the assessment on the taxable valuation of the homestead. In determining the person's income for eligibility, the amount of uncompensated medical expenses (by medical insurance or otherwise) incurred by that person or any dependent person must be deducted from the income level. The taxable valuation exemption for which an individual is eligible varies from 100% up to a maximum of $2000 if the person's income does not exceed $7000. However, if the person's income is between $11,500 and $13,000, the exemption in taxable valuation is limited to 20% of the taxable valuation of the person's homestead up to a maximum reduction of $400 dollars. The value of the homestead is limited to a market value of $80,000. While the statutory provisions give some property tax relief to qualified persons, it is rare that the total property tax liability is forgiven.

XIV. TAX AND SPENDING LIMITS

School districts levying fewer than 180 mills for general fund purposes are permitted to increase local revenue by as much as 18% up to the product of 180 mills times the taxable valuation. Districts levying 180 mills or more were restricted to a revenue increase of no more than 4.0% by the 1991 legislature. Districts with unlimited levy authority have no restrictions other than that the district can have its authority repealed by a vote of the people.

XV. EARMARKED STATE REVENUE

None. Previously, a portion of the state sales tax and oil extraction tax were earmarked for elementary and secondary education.

OHIO

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I. GENERAL BACKGROUND

State

- The state share of local and state revenue for public education has reflected an uneven but generally upward trend over the past 11 years. The state share in 1980-81 was about 39%, and hit all-time highs in 1984-85 at about 47.5% and over 52% in 1986-87. The state share fell back to approximately 47% in 1989-90. Overall, total state and local revenue has been trending up and the state share of state and local revenue has been trending up but with a more uneven pattern.

- State funding is derived from the state general revenue fund biennial appropriations. Major sources and proportions of this fund are the state personal income tax (39%), sales and use tax (36%), corporate franchise tax (9%), public utility excise tax (6%), and cigarette and alcoholic beverage taxes (3%). Other taxes and income include lottery profits which are earmarked for public education. The latter item accounts for about 2% of general fund revenue. In FY 1990 30.5% of general fund revenue was expended for primary and secondary education.

- The Ohio school finance system incorporates a foundation program having equalization features along with several kinds of categorical (flat) grants without equalization.

- Ohio school finance has undergone several major changes over the years. An early version of the school foundation program was replaced by an equal yield (district power equalization) formula in 1975-76. The constitutionality of this formula was challenged in 1977, but it was upheld by the Ohio Supreme Court in 1978. The equal yield formula was replaced by the present system in 1982. Currently two suits challenging this formula have been filed; *Howard et al.* v. *Franklin B. Walter et al.*, Cuyahoga County Court of Common Pleas, Case No. 203262 and *Thompson et al.* v. *Franklin B. Walter et al.*, Perry County Court of Common Pleas, Case No. 21752.

Local

- The state has 612 K-12 school districts and 49 joint vocational high school districts. School districts are essentially fiscally independent although county budget commissions, after reviewing proposed school district budgets, establish estimated revenues and expenditures and then set approved property tax millage. Eighty-seven county boards of education serve the function of intermediate units to mostly smaller districts.

- School districts are classified as city school districts (encompassing a city of 5000 or more persons), exempted village school districts (encompassing a village of 2500 or more persons) and local school districts (all those not included in the above classifications). Local school districts are subject to the limited control of county boards of education. These boards must provide supervisory services to local school districts under their jurisdiction (3317.11 Ohio Revised Code). Costs of these supervisory personnel are apportioned among the local school districts, and the costs are deducted from basic foundation program payments of the local school districts within the county. (See Section II.) Costs for special education supervisory teachers and special education instruction are paid by the state. The state also provides support for other lawful expenditures over and above salaries related to the previously mentioned positions. In 1990-91 this amounted to $29 per pupil in average daily membership.

- School district operating fund revenue is generated from school district personal income taxes and/or school district real and tangible personal property taxes. The latter taxes are the most prevalent and productive taxes. The Ohio constitution requires the apportionment of a 10 mill county levy among local jurisdictions including school districts.
- Since 1976, when real property values increase because of inflation, revenue is limited to the amount generated during the initial year of the levy. Thus, although there is no limit on the number of mills which may be voted, there is some limit on revenue which may be generated by a given levy.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$3,906 million
Grants in Aid	3,537 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue		4,789 million
Total Combined State and Local School Revenue		8,695 million
State Financed Property Tax Credits Attributable to School Taxes	369 million	

II. THE BASIC SUPPORT PROGRAM

School Foundation Program

Funding in 1990-91: $2,946 million (75.4% of total state school aid)

Nature of Program: Foundation program incorporating categorical aids, known as the School Foundation Program (Chapter 3317, Ohio Revised Code).

Units: Pupils. Average daily membership (ADM). ADM is calculated during the first full school week in October. It is the total membership (enrollment) averaged over the 5 days.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: The formula incorporates 2 major components, Part A, basic program support, and Part B, categorical program funding. Each has several sub-parts and/or steps in calculating the state aid for which a school district is eligible.

Part A — Basic Program Support: In 1990-91, the cost of the minimum program per pupil was $2,636. The cost of the basic program guaranteed by the state for each district was equal to:

$2,636 x District ADM x Cost of Doing Business Factor

The Cost of Doing Business Factor is calculated by the Ohio Bureau of Employment Services from wages of all workers in the state and is based on the average weekly wage of the county within which the school district is located. This factor ranges from 1.00 to 1.075. This factor is a proxy to offset the varying regional costs of providing equivalent educational services.

Several adjustments are made at this point in order to account for variations in the number, training, and experience of teachers, and other services provided.

Guarantees are provided to assure that eligible districts will not receive less basic program support in 1990-91 than they did in 1989-90. Guarantees range from 101% of the 1989-90 amount for districts with $40,000 or lower assessed valuation per pupil to 100% for districts with assessed valuation of $50,000 per pupil or more.

Part B — Categorical Programs: Categorical programs incorporated in the School Foundation Program include Vocational Education (Section X), Special Education (Section VI), Gifted (Section VIII), Extended Service, and Transportation (Section III). Categorical program funding is characterized by flat grants awarded to districts.

Extended service grants are provided for a limited number of certified employees who serve beyond the regular school term. No allowance is paid to superintendents, assistant superintendents, principals or assistant principals. The total state allowance is up to $5.7 million for 1990-91.

State Share: The state's share of basic program support is inversely related to a school district's assessed valuation per pupil. The 1990-91 basic program cost of $2,636 per pupil is shared between the state and the local school district. Basic aid is the cost of the basic program minus required local effort. Relatively high assessed valuation districts would have a negative number after the subtraction and would not be eligible for basic program support under this equalization feature.

The categorical programs within the school foundation program are fully funded by the state but only at the levels specified. For example, teachers' salaries in approved units in vocational education and special education are funded at a teacher's position on the state minimum teachers' salary schedule. Most school districts have teachers' salary schedules that exceed the state minimum, so the local school district must provide the difference.

The state provides support for approved extended service. Payments for extended service are based on the state minimum teachers salary schedule plus 15%. Due to the fact that appropriations for this item fall short of the calculated cost for FY 91, only 12% of the calculated cost was paid for by the state. The remainder was paid for by the local school district.

Local Share: The local share of basic program costs is generated through the mandated 20 mill property tax levy. The local school district share of basic program support is directly related to the district's assessed valuation per pupil. Districts with relatively high assessed valuation per pupil and those which levy less than the 20 mills required for participation receive no state support for the basic program.

The categorical programs are funded by the state at the minimal level. Any additional costs for these programs must be borne entirely by the local school district.

Weighting by Grade Level: None.

Adjustments for Special Factors: The Disadvantaged Pupil Impact Aid Program (DPIA) is incorporated in the basic program as a municipal overburden factor. Districts are eligible on the basis of number and percent of students coming from households which receive Aid to Dependent Children support. DPIA allocations range from $104 per pupil for districts with at least 50 ADC children or at least 5% but less than 10% to $1,104 per pupil for districts with 20% or more. Twenty percent of the monies must be expended on any of the following: programs for at-risk students, all day kindergarten, reduction of class size, summer school or other remediation, or dropout prevention programs.

Adjustments for declining enrollment are provided in the calculation of average daily membership in basic program support. A deduction is made for districts employing fewer than 40 classroom teachers per 1000 pupils in current ADM. A positive adjustment is made for districts whose average teacher training and experience exceeds the state average. A deduction is made for districts employing fewer than 5 educational service personnel per 1000 pupils in current ADM. A county board of education deduction is applied to districts classified as local school districts. Adjustments for disadvantaged pupil impact aid are described above.

Total basic program funding plus categorical support yields the total school foundation program. However, two additional guarantees are provided. If the school district has undergone reappraisal of taxable property it will receive no less money than it received in the previous fiscal year prior to reappraisal. This guarantee is for 1 year. If a school district has been consolidated, the newly constituted district will receive no less money each year for a period of 3 years, than the sum the original districts received in the year of consolidation. In practice these two guarantees are applicable to very few districts.

Districts Off Formula: 219 school districts; all of these districts receive the guarantee described above.

III. TRANSPORTATION

Funding in 1990-91: $146.0 million (3.7% of total state school aid)

This amount is included in the $2,946 million shown for the school foundation program in section II.

Description: State aid for operation of approved transportation is incorporated as a categorical grant in the School Foundation Program (Ohio Revised Code 3327.01 and 3317.024).

Of the $146 million, $22 million was set aside for transportation of handicapped pupils using a formula which reimburses on a per-pupil per-day transportation cost of $3 per day plus .5 of the actual cost above the $3 to transport the pupil for one day. This amount is then reduced by a percentage to stay within the total amount set aside.

The remaining amount is incorporated as a categorical grant in the school foundation program for operational costs. Transportation operating allowances are based on formulas established by the State Board of Education. Factors in these formulas include the number of pupils and the number of total annual miles for each of the 6 types of transportation provided. The allowance is the greater of the pupil or mileage calculation.

The 6 types of transportation include: Type I — board-owned and operated buses; Type II — contractor-owned and operated buses; Type III — public utilities; Type IV — payment to parent or guardian for transportation to school; Type V — board-owned vehicles other than school buses; and Type VI — payment to parent or guardian for transportation to bus stop. Each type is funded based on a certain amount per-pupil or per-mile. Type I, for example, which generally receives over 90% of the funding, received $70.66 per-pupil transported or $0.64 per-mile, whichever was greater.

State and Local Shares: A goal of the state has been to reimburse school districts for 60% of the cost for handicapped transportation and 50% of the costs for regular transportation. In 1984-85, the reimbursement level reached 46.96%. Since that time it has fallen and, during 1989-90, it was below 40% for both types. School districts assume the balance of the costs.

Extent of Participation: 610 school districts.

IV. CAPITAL OUTLAY AND DEBT SERVICE

There are no programs in the school foundation program for state assistance in financing capital outlay on debt service. However, there are separate provisions for several of these kinds of aids.

State Provisions

School Bus Purchase Allowance

(Ohio Revised Code 3317.07)

Funding in 1990-91: $26.5 million (less than 1.0% of total state school aid)

Description: Assistance is provided for eligible school districts for transportation of pupils residing more than one mile from the school of assignment or attendance. Funding is approved for the replacement of existing and additional equipment as the need is documented. The funding level is 50% of the net cost for public school buses and 100% of the net cost for buses required for transportation of nonpublic and handicapped pupils.

Extent of Participation: 223 school districts

State School Building Assistance Program
(Ohio Revised Code 3318)

Funding in 1990-91: $4.0 million (less than 1.0% of total state school aid)

Description: This program assists school districts which are unable to provide adequate school facilities despite the issuance of building bonds equal to 7.0% of the assessed valuation of the school district. Operationally, the program assists low assessed valuation districts in meeting state minimum standards for school facilities. In general, the state matches local revenue raised by means of a district bond issue. The package of state and school district revenue is used to construct approved facilities to correct deficiencies. To participate, a school district bond issue must be passed to repay the state for its contribution. Any amount unpaid after a 23 year period is forgiven. Monies repaid to the state by school districts as they pay debt service on their bond issue flow back to the state fund and thus become something of a rotary fund. In 1990-91, 5 school districts participated and $30 million was allocated to be distributed over the years beginning in 1990. A total of $4 million was actually distributed in 1990-91.

Vocational Education Equipment

Reimbursements are made to school districts to cover partial costs of purchasing equipment for vocational education classrooms and laboratories. Subsidy reimbursement covers approximately 50% of the cost. Participating districts are selected on a priority index developed by the department of education. 63 districts participated in the program involving less than $1.0 million of state support.

Local Provisions

Capital outlay projects are financed by school district revenue in several ways. These include the issuance of serial bonds, passage of permanent improvement levies, and capital outlay accounts in other discrete funds.

Serial bonds: A school district may incur indebtedness up to 9.0% of the assessed valuation of taxable property (Ohio Revised Code 133.02). State procedural limitations for the issuance of serial bonds include a majority affirmative vote on the issue which includes the purpose of the issue, estimated tax levy to retire the bonds, and the period of time to retire the debt not to exceed 23 years (Ohio Revised Code 133.11 and 133.13).

Permanent Improvement Fund: This permissive fund is created to acquire, construct or improve such property that has a useful life of 5 years or more (Ohio Revised Code 5705.12). The levy providing revenue for the fund is limited to 5 years. If a majority of voters approve the levy and establishment of the fund, the property tax revenue so designated flows into the fund. In conventional practice the fund is used for smaller capital outlay projects which are scheduled on a year-by-year order. This avoids the issuance of bonds which carry interest costs.

Capital Outlay Accounts in Other Discrete Funds: The fund accounting system in Ohio established discrete funds for specific purposes. The Uniform School Accounting System designates Object Code 600 as capital outlay expenditures in several funds. The largest of these is the General Fund. The capital outlay account in this fund is usually used for minor building improvements and upgraded instructional equipment.

V. TEACHER RETIREMENT
(Section 3307.01 ORC)

Description: School districts are solely responsible for payment of the employer's share of teacher retirement. Teacher retirement expenses are included in local district budgets but are paid for out of state foundation payments. Instead of sending the money to the district and then having the district send the money to State Teachers Retirement

System (STRS), the state makes the payment directly to STRS. The employer's contribution is equal to 14% of the total estimated salaries. The employee's contribution is 9.25% of their salary. Employees hired after March 31, 1986, must pay 1.45% for the hospital insurance portion of Medicare. The school district matches this 1.45%.

Retirement expenses for noncertificated school employees are handled the same as above. The state sends 14% of estimated salary to the School Employees Retirement System. Employees pay 9% of salary.

VI. SPECIAL EDUCATION

Funding in 1990-91: $440.6 million (11.3% of total state school aid)

This amount is included in the $2,946 million shown for the school foundation program in section II.

Description: Special education is funded by the state as a categorical aid in the school foundation program, (Ohio Revised Code 3317.05, 3317.024, 3317.022). Funds are awarded on the basis of approved units. Prior to each school year the State Department of Education solicits requests from each school district for the several kinds of approved units. The requirements and specifications of each type of unit are included in the request. Requests are evaluated in light of district needs and available appropriations for each type of unit. In practice, the number of requests exceeds the allocation for each type of unit, so some requests are funded, some partially funded, and some not funded.

Reimbursement is made on total teachers salary allowance based on the state minimum salary schedule plus 15% of salary allowance for retirement and sick leave plus $2,132 for each supervisory unit and $8,023 for each classroom unit for classroom and other expenses.

State and Local Shares: Approved units are fully funded by the state at the specified amounts. If school districts provide special education programs in addition to the approved units and/or pay teachers over the state minimum salary schedule or expend more than the specified amount on classroom expenditures, local support must cover these amounts.

Extent of Participation: 600 school districts

VII. COMPENSATORY EDUCATION

Disadvantaged Pupil Impact Aid

Funding in 1990-91: $227.1 million (5.8% of total state school aid)

This amount is included in the $2,946 million shown for the school foundation program in section II.

Description: This program is incorporated in the basic program component of the school foundation program and is intended to provide adequate education for students in school districts impacted by high concentrations of poverty. It is recognized as an integral part of the unrestricted aid package.

State Share: The current formula provides allocations which range from $104 per pupil for districts with at least 50 children from households receiving Aid to Dependent Children or at least 5% but less than 10%, to $1,104 per pupil for districts with 20% or more coming from ADC households. The state assumes all costs.

Local Share: None.

Extent of Participation: 472 school districts

Disadvantaged Pupil Program Fund

Funding in 1990-91: $40.1 million. (1.0% of total state school aid)

Description: The purpose of the fund is to improve disadvantaged students' academic and cultural status. Eligibility for district participation is specified in the Ohio Revised Code 3317.024(F).

State Share: School districts design, submit and implement their approved programs pursuant to state board of education standards (3301-77-01 through 3301-76-06). Funding is based on the Aid to Dependent Children count.

Local Share: None is required.

Extent of Participation: 477 school districts

Urban Demonstration Projects

Funding in 1990-91: $3.4 million (less than 1.0% of total state school aid)

Description: The purpose of the projects is to enable selected urban school districts to plan, develop, implement, evaluate, and conduct research pertinent to urban education programs and reduce the dropout rate. A further purpose is to have the Urban Demonstration Projects serve as models of exemplary urban education organization and practices.

State Share: Legislative authorization specifies the nature of school district participation. The program is funded by the state.

Local Share: None is required.

Extent of Participation: 11 school districts

School Building Incentive Grants

Funding in 1990-91: $0.9 million (less than 1.0% of total state school aid)

Description: The 118th General Assembly established the Education Improvement Fund for programs in elementary and secondary schools. These programs are governed by state board of education rule 3301-69-03 which provides for the expenditure of funds for awarding school building incentive grants. These are awarded on a competitive basis and are spent at the school site as staff, students and parents determine. A proposal must identify an area in need of performance improvement and then set a goal which must either be met or exceeded to be eligible for a $10,000 incentive award.

State and Local Shares: The state provides the award of $10,000 for those proposals which met or exceeded the goals incorporated in the proposal. No local share is required.

Extent of Participation: 88 school districts

Public/Private Match Grants

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: The 118th General Assembly established the Educational Improvement Fund. A program governed by state board of education rule 3301-69 provides for the expenditure of funds for the Public/Private Match Grant. The purpose of this grant is to develop and implement innovative academic programs designed to encourage student growth and achievement. Grants are in an amount not to exceed $50,000 to a school district or a consortium of school districts. The grant is designed to encourage public/private cooperation stimulating student growth and achievement.

State and Local Shares: The state matches private funding up to $500,000.

Extent of Participation: 13 school districts

Educational Aides for Special Education

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: Amended Sub. H. B. 111 of the 118th General Assembly authorized up to $5,000 for each educational aide required by the state department of education. However administrative rules in state law do not provide state financial support for aides in the special education classroom. Given the absence of state support, there was a need to make provisions for partial reimbursement of the costs to school districts providing these services.

State and Local Shares: Current appropriations allow for a reimbursement of $671 for each aide. Districts are responsible for costs not covered by state reimbursement.

Extent of Participation: 191 school districts including four institutions plus 82 county boards for mental retardation and developmental disabilities.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $17.2 million (less than 1.0% of total state school aid)

This amount is included in the $2,946 million shown for the school foundation program in section II.

Description: Gifted and talented education is incorporated in the special education approved units which, in turn, is a part of categorical aid in the school foundation program Ohio Revised Code 3317.024. School districts apply for approved units according to state department of education standards.

State and Local Shares: For units awarded, the state reimbursement to the district includes the teacher's salary allowance on the state minimum teachers salary schedule plus 15.0% of the salary allowance for retirement and sick leave plus $2,678 for additional costs. If school districts provide gifted and talented education in addition to the approved units and/or pay teachers over the state minimum salary schedule or expend more than the specified amount for additional costs, local support must cover these extra costs.

Extent of Participation: 515 school districts

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $281.9 million. (7.2% of total state school aid)

This amount is included in the $2,946 million shown for the school foundation program in section II.

Description: Vocational education is incorporated in the categorical aid component of the school foundation program (Ohio Revised Code 3317.023 and 3317.024). School districts apply for approved units according to state department standards. Vocational units approved in 1990-91 total 7243.86.

State and Local Shares: State funds are distributed to K-12 school districts and to joint vocational school districts on the basis of approved units. State reimbursement includes the teacher's salary allowance on the state minimum teachers salary schedule plus 15% of the salary allowance for retirement and sick leave plus $9,510 for each vocational unit and $8,023 for each approved special education unit. In addition joint vocational school districts receive funds for academic classes offered as a percent of the basic unit allowance and receive an equalization amount computed in accordance with the following formula:

(Number of vocational approved units x $20,000) - (.001 x Total Taxable Value)

If the difference obtained is a negative number, the computation under Division (B)(6) of Section 3317.16 of the Ohio Revised Code shall be zero.

The school district makes up the difference between state aid and the cost of vocational programs.

Extent of Participation: 569 K-12 school districts plus 49 joint vocational school districts.

Career Development

Funding in 1990-91: $6.0 million (less than 1.0% of total state school aid)

Description: Am. Sub. House Bill 111 of 118th General Assembly provided funding for 60 career development programs to assure that students are equipped with skills and knowledge necessary to obtain and maintain employment consistent with their interests, aptitudes and abilities, and make students aware of the relevance of academic course work to their career choice through individual career plans. School districts submit planning grant proposals for approval.

State and Local Shares: Approved programs were funded at $4.97 per K-12 average daily membership in the school district. School districts provide a 15% match of state support.

Extent of Participation: 368 school districts

Entry Year Program

Funding in 1990-91: $2.5 million (less than 1.0% of total state school aid)

Description: The purpose of the entry year program (Am. Sub. House Bill 111 of the 118th General Assembly) is to provide support to meet the needs of first year employment under a classroom teaching certificate or an educational personnel certificate. The program includes components related to selecting and assigning mentors, orientation of mentors, mentor training, allocation of time for mentor and first year individual consultation and assistance, and ongoing professional support for mentors and first year individuals.

State and Local Shares: Forty-one programs were funded after a competitive review process. Any additional costs are borne by the school district.

Extent of Participation: 41 school districts

School Lunch Match

Funding in 1990-91: $8.9 million (less than 1.0% of total state school aid)

Description: For a state to accept federal revenues from the National School Lunch Act of 1946 it is required that the state shall match the federal subsidy with a 30% matching grant (Part 210, Code of Federal Regulations, Title VII, as amended). This act, in addition to the Child Nutrition Act of 1966 and subsequent amendments, provides federal money through the several school lunch and nutrition programs.

State and Local Shares: The state share of program costs is calculated by a formula based on the number of free lunches provided by the school district during the previous year. Districts are responsible for costs not covered by the state program.

Extent of Participation: 641 school districts

Driver Education

Funding in 1990-91: $5.9 million (less than 1.0% of total state school aid)

Description: This program provides courses required for 16 and 17 year old high school students to qualify for an Ohio driver's license. Legislation (Ohio Revised Code 3301.17 and 3317.024(I) provides a subsidy for school districts for the cost of these courses.

State and Local Shares: The state provides a $50 subsidy for each pupil completing an approved driver education course. School districts may charge a course fee not to exceed $50 or actual costs minus the state subsidy (Ohio Revised Code 3301.171). Costs exceeding the subsidy plus the course fee are paid by the school district.

Extent of Participation: 612 school districts

Educational Excellence and Competency

Funding in 1990-91: $1.3 million (less than 1.0% of total state school aid)

Description: The minimum standards for elementary and secondary schools as adopted by the state board of education, require school districts to establish competency-based education programs in English composition, mathematics, and reading to improve student outcomes in these and other areas. District-wide testing is required at least once in grades 1-4, 5-8, and 9-12. To assist school districts in meeting the competency testing requirement, state appropriations are made. There are provisions for establishing the minimum standards, reporting by districts and the development of model programs by the state department of education, the evaluation of each district's status with respect to the model programs, and reporting the results thereof (Ohio Revised Code 3301.0715 and 3301.0716).

State and Local Shares: Each school district is eligible to receive an annual allocation calculated by multiplying the district's October average daily membership times the per pupil base rate. For 1990-91 the base rate was approximately $.50. Any additional cost is borne by the school district.

Extent of Participation: Each of the 612 school districts is eligible to apply for these funds either on its own behalf or as a member of a cooperative unit in which one member serves as the fiscal agent. Each nonpublic school is also eligible to participate, with a public district designated to serve as the fiscal agent.

Summer School Remediation

Funding in 1990-91: $2.0 million (less than 1.0% of total state school aid)

Description: Summer school remediation was funded in Am. Sub. House Bill 222 of the 118th General Assembly. School districts are assisted in establishing summer remediation programs for students needing remedial work prior to beginning the next school year. During the summer of 1991 4th and 6th grade students were served in language arts and mathematics.

State and Local Shares: The share was determined on a per pupil basis. School districts reported the number of pupils served and the per pupil allocation was calculated. Districts are responsible for any costs not covered by the state allocation.

Extent of Participation: 71 school districts

Third Grade Guarantee

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: This program (Am. Sub. House Bill 111 of the 118th General Assembly) funded pilot third grade guarantee programs to ensure that by the end of the second grade each pupil is evaluated against the checklist of reading and writing competencies developed by the state department of education. Districts are to provide intervention programs for students who do not perform successfully against the checklist.

State and Local Shares: Eighteen school district programs were approved and funded after a competitive review. Any additional cost is borne by the school district.

Extent of Participation: 18 school districts

Desegregation Costs

Funding in 1990-91: $36.2 million (less than 1.0% of total state school aid)

Description: Funding is provided to cover the state share in court-ordered desegregation plans.

State and Local Shares: The state share was determined by the court in 3 cases. In 2 other cases a consent order was issued with a negotiated payment. Districts pay those costs not covered by the state share.

Extent of Participation: 5 school districts

Dropout Prevention

Funding in 1990-91: $11.0 million (less than 1.0% of total state school aid)

Description: Allocations are provided in Am. Sub. House Bill No. 111, 118th General Assembly to fund a public awareness/teen outreach pregnancy prevention program, and to fund projects which provide individual remediation and dropout prevention programs for at-risk pupils.

State and Local Shares: Monies are awarded to local education agencies on the basis of competitive proposals submitted according to rules adopted by the state board of education. Awards are made to individual school districts or consortia of local education agencies. Any additional cost is borne by the school district.

Extent of Participation: 105 local education agencies through 67 grants

Adolescent Pregnancy Prevention

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: The program is a state-local incentive grant (Am. Sub. House Bill 111, item 200-806) which provides 75% of its funds to programs that encourage the postponement of sexual activity among adolescents and the prevention of teen pregnancy. The remaining 25% provides services to adolescent parents.

State and Local Shares: These competitive grants require agency collaboration within and among counties. The awards are either 80%, 70%, 60% or 50% of the total cost of the program based on fiscal ability of the county as derived from employment data. The awardee county's match pays the remaining costs of the program—20%, 30%, 40% or 50%.

Extent of Participation: School districts in 36 counties. 14 school districts served as fiscal agents.

Education Research and Development

Funding in 1990-91: $6.5 million (less than 1.0% of total state school aid)

Description: Amended Sub. House Bill 111 of the 118th General Assembly provided an appropriation to fund grants (subsidy 812).

State and Local Shares: Requests for proposals were solicited and 50 grants ranging from $1,500 to $228,519 were awarded. In addition, 4 larger grants were made to the Cincinnati City School District, the Montgomery County Board of Education, the Cleveland City District and the Columbus City School District. The grants provided funding for research and development and evaluation of promising ways to improve the quality and cost-effectiveness of the state's public schools with particular emphasis on at-risk programs. The district pays costs not borne by the state.

Extent of Participation: 352 school districts

State Funded Agencies Which Provide Services to School Districts

Several agencies are funded by discrete appropriations to provide specific services to school districts.

Educational Television

Funding in 1990-91: $4.4 million (less than 1.0% of total state school aid)

Description: Section 3317.06 of the Ohio Revised Code and Am. Sub. Senate Bill 530 enacted in 1967 provided authority for the state board of education to contract for educational television services with nonprofit educational television corporations to provide educational services to boards of education. Basic instructional television programming of a minimum of 880 hours for kindergarten through grade twelve during the school year is required.

State and Local Shares: Funds are allocated on the basis of a per pupil served formula. There is no local share.

Extent of Participation: Nearly all school districts.

Reading Recovery

Funding in 1990-91: $1.6 million (less than 1.0% of total state school aid)

Description: H. B. 238 provided funding in 1985-86 to train 26 teacher-leaders in methods of early intervention to prevent reading failures among first graders who were considered to be at risk. During 1989-90 4,336 children received these services.

State and Local Shares: Funds are provided to give salary support for reading recovery teacher-leaders while they are engaged in regional activities and training teachers. Districts provide support for costs not covered by the state.

Extent of Participation: 301 school districts

XI. STATE AID TO PRIVATE K-12 SCHOOLS

Each nonpublic school chartered by the state board of education is eligible to participate in a number of funded programs.

Auxiliary Services
(Ohio Revised Code 3317.06)

Funding in 1990-91: $72.4 million (1.9% of total state school aid)

Description: Funds are provided for the purchase of textbooks to be loaned to students in eligible nonpublic schools. In some instances a clerk may be employed to administer such a lending program. Funds are provided for the educational enrichment of "gifted students," to secure certain therapeutic and diagnostic services, and to purchase computer software and mathematics and science materials.

State and Local Shares: The state pays the entire cost to provide these services.

Extent of Participation: In 1990-91, 219,798 nonpublic school pupils were served with an average allocation of $319 per pupil in average daily membership.

Nonpublic Administrative Cost Reimbursement
(Ohio Revised Code 3317.063)

Funding in 1990-91: $14.7 million (less than 1.0% of total state school aid)

Description: These funds reimburse each chartered nonpublic school on an annual basis for actual mandated services, and administrative and clerical costs incurred by such schools during the preceding school year.

State and Local Shares: State funds alone provide this reimbursement. In 1990-91, the nonpublic schools were eligible for $14.7 million on the basis of 1989-90 costs. However, only $373,729 was reimbursed to them by the state. The balance was delayed until 1991-92 because of state budgetary constraints.

Extent of Participation: 212,831 pupils in average daily membership were enrolled in eligible nonpublic schools.

Mobile Unit Repair/Replacement Program
(Am. Sub. H. B. 298)

Funding in 1990-91: $1.2 million (less than 1.0% of total state school aid)

Description: The fund was established and authorized for the purpose of insuring that services to eligible students are not curtailed or discontinued because of high repair or replacement costs of a mobile unit.

State and Local Shares: State funds alone provide this service. Cost over state subsidy is provided by the local agency.

Extent of Participation: 21 nonpublic schools received repair or replacement monies.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $11.7 million (less than 1.0% of total state school aid)

This amount is included in the $2,946 million shown for the school foundation program in section II.

Description: A program for preschool handicapped and supervisory units is incorporated in the special education categorical aid component of the school foundation program. In accordance with Am. Sub. House Bill 248 and Public Law 99-457, school districts are mandated to serve pre-school age children with disabilities, beginning at age 3.

State and Local Shares: Units are applied for and approved by the state board of education. Each approved unit is funded at the minimum teachers salary schedule plus 15% for retirement and sick leave plus $8,023 for classroom costs. Any cost over the state share is borne by the local school district.

Extent of Participation: 190 school districts; 550 children are served through consortia.

Headstart

Funding in 1990-91: $13.7 million (less than 1.0% of total state school aid)

Description: Amended Substitute House Bill 111 of the 118th General Assembly provided funds to existing head start agencies to expand their programs in order to serve more eligible children.

State and Local Shares: The share was determined by the General Assembly based on each county's estimated number of unserved children in proportion to the estimated total number of unserved children in the entire state.

Extent of Participation: 51 community action programs and one school district.

Public School Preschool

Funding in 1990-91: $13.7 million (less than 1.0% of total state school aid)

Description: Amended Substitute House Bill 111 of the 118th General Assembly provided for comprehensive, developmentally appropriate pre-school programs for 3 and 4 year old children considered to be at risk.

State and Local Shares: School districts submit applications for grants which are subject to external review. The amount of funds awarded are determined by documented needs stated in the application. The school district or consortium of districts may use Chapter 1 or Head Start funds to supplement the state allocation. School districts assume any additional costs.

Extent of Participation: 55 school districts

XIII. LOCAL SCHOOL REVENUE

Property taxes available to school districts are part of a classified property tax system. School district property taxes are levied on real property (land and improvements thereon) and tangible personal property (machinery, equipment and inventories used in business). The assessment ratio for real property is 35% of true market value. Real property is reappraised every 6 years, but every 3 years an equalization adjustment is made. Sales ratio studies are conducted by the Department of Taxation in each county to compare the assessed taxable value to the sales price of properties sold. These ratios are used extensively in checking the reappraisal process.

Virtually all property tax levies must be approved by a majority vote. The only exception are the levies which are inside the 10 mill limitation (see Section XIV) — those permitted without vote for the aggregate of all local taxing jurisdictions within the county. These "inside millages" vary among the 612 school districts.

Tangible personal property was assessed at 35% of true market value in the early 1980s, but has been reduced to 27% in 1991 and will be set at 25% in 1993. The tax rates applied to tangible personal property are the same as those applied to real property in school districts. However, House Bill 920 (see Section XIV) does not apply to tangible personal property revenue changes.

The school district income tax is a permissive tax levied as a resident tax on the amount of adjusted gross income as reported for state income tax purposes less the $650 personal exemptions. The tax rates are in multiples of a quarter of one percent. The tax rate must be approved by the majority of school district voters and can be permanent or for a finite period. In 1990, rates ranged from .5% to 1.5% in 52 districts which enacted the tax. Equivalent property tax millage of income tax collections can be used toward the 20 mill eligibility for state aid.

Homestead Exemption

This tax relief is granted to qualified elderly or disabled homeowners. The tax reduction is equal to the gross millage rate multiplied by a reduction in taxable value determined by the income class of the homeowner. For total income of owner and spouse of $6,500 or less, the taxable value is reduced the lesser of $5,000 or 75% of taxable value. For total income of $11,500 to $16,500, the taxable value is reduced the lesser of $1,000 or 25% of taxable value. No exemption is provided for the owner and spouse with total income over $16,500. The state reimburses school districts for this tax loss. For 1990-91, the reimbursement for both the Homestead Exemption and the Percentage Rollback totaled $369 million.

Percentage Rollback

The state grants tax relief in the form of a 10% reduction in each taxpayer's real property tax bill, both residential and commercial. In addition to the 10% rollback, a 2.5% rollback is granted on real property taxes for owner-occupied dwellings. The state reimburses school districts for this tax loss. For 1990-91 the reimbursement for both the Homestead Exemption and the Percentage Rollback totaled $369 million.

XIV. TAX AND SPENDING LIMITS

The Ten Mill Limitation

The Ohio constitution requires that all property taxes in excess of 10 mills are subject to voter approval. Up to 10 mills may be levied by the aggregate of all taxing jurisdictions within a county without the vote of the people. If a school district in a county where the 10 mill limitation has been reached seeks millage beyond its share of the 10 mills (termed "inside millage"), then it must put on the ballot a proposed levy including purpose, whether it is permanent or for a fixed period (not to exceed 5 years) and the number of mills. The modal inside millage is about 5 mills so all school districts in the state have substantial voted millage. There is no upper limit on voted millage although there are mandated procedures in the voter approval process.

Property tax rates for operating schools (sum of mills inside the 10 mill limitation plus voted mills) varies considerably among the state's school districts. The 1991 operating tax rates ranged from 19.5 to 64.85 mills. The median rate among the 612 districts was about 28.25 mills.

The mandated 20 mill property tax levy required for the basic support foundation program (Section II) is unrelated to the 10 mill limitation. The latter is part of the statute governing the levy of property taxes by taxing jurisdictions. School districts will have some portion of millage inside the 10 mill limitation which requires no vote, but will have to receive a positive vote on all millage beyond the inside millage of the district.

House Bill 920

(Ohio Revised Code 319.301)

This bill enacted in 1976 is the Ohio version of Proposition 13. It provided for percentage reductions of taxes levied against real property being reappraised (every 6 years) or updated (every 3 years). These reductions remain in effect until there is a new increase or decrease in value (excluding new construction). New reduction factors are then calculated and applied. The basic effect is to eliminate increases in voted taxes which might occur when existing real property is reappraised or the valuation is updated. Thus even though the market value of real property increases, school districts do not benefit from it (except that part of the tax levy "inside" the 10 mill limitation). This results in more frequent tax levies being put on the ballot in order to have revenues keep up with inflation.

Voter Approval of Bond Issues

Serial bonds may be issued by a school board but with several limitations. There is a limit on debts (outstanding notes, loans, bonds, etc.) of 9% of the assessed valuation of the school district. Procedural limitations are also spelled out in state statutes. Major limitations of this order include a resolution of necessity approved by the school board by a two-thirds vote. This includes the purpose, amount, approximate interest rate and other specifications. On the basis of the resolution of necessity the county auditor estimates a tax rate to pay the principal and interest on the issue. Election notices are specified and the bond issue election is held. Only 2 such elections per year are permitted. A majority positive vote is required for passage.

Budget and Spending Controls

State law prohibits school districts from adopting a deficit budget, from closing a fiscal year in a deficit position or from closing down operations because of a shortfall of revenues. If the latter appears to be imminent, the state requires school districts to apply for a loan under the Emergency School Advancement Loan Program (Ohio Revised Code 3313.483). Originally the state provided loans but as of October 1, 1989, school districts borrow from lending institutions, backed by approval of the State Controlling Board. In 1990-91, 79 districts made applications, 49 were approved, and 26 districts received $41.8 million in loans. The school district's loan obligations are paid to the lending institution by the state department of education from state funds the school district would receive pursuant to Sections 3317.022 to 3317.025 of the Ohio Revised Code.

XV. EARMARKED STATE REVENUE

Lottery Profits: $706.7 million (Section 46.14 of Am. Sub. H. B. 111 of the 118th General Assembly)

After allowing for operating expenses and prizes an amount is projected each year for lottery profits which is appropriated and earmarked for 3 education line items. Recently, these appropriations have been $30 million for vocational education, $50 million for special education, and the remainder for basic education. In FY 91, these 3 line items totaled $668 million.

Also each biennium the General Assembly specifies that profits that exceed appropriations from the previous fiscal year will be allocated first, to cover any shortfall in the present year's appropriations; second, a certain percentage is allocated to the lottery profits education reserve fund; and third, any remaining excess profits are allocated to districts for special programs or projects specified in the budget bill.

In FY 91, there was $79.7 million left over in excess lottery profits from FY 90. Of this amount, $41 million went to cover a shortfall in the FY 91 appropriated amount and the remaining $38.7 million was allocated to the reserve fund, the School Building Assistance Program, asbestos abatement and the architectural barrier removal program.

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I. GENERAL BACKGROUND

State

- From 1973 to 1989, the state's share of revenue for public education reflected a relatively steady increase. As a percent of general fund revenue public school appropriations ranged from 50% in 1973-74 to 63% in 1980-90. During that time period, as the Oklahoma economy fluctuated so did the public school's share of general fund revenues. However, the trend was generally upward.

- The decade of the 1980's brought little movement toward equitable funding of Oklahoma schools. In addition, as the decade came to a close, the condition of public education in the state worsened. In 1979 Oklahoma ranked 33rd among the 50 states in per pupil expenditure for education. By 1989, Oklahoma had dropped to 46th in per pupil expenditure. Thus, in 1989, Governor Henry Bellmon declared a state of emergency in Oklahoma's more than 600 school districts. By declaring a state of emergency, Governor Bellmon initiated a monumental educational reform movement which culminated in the codification of House Bill 1017, The Education and Funding Reform Act. As H.B. 1017 became law, it's distractors organized a repeal petition drive. In the resulting referendum vote, the Oklahoma citizenry reaffirmed the passage of H.B. 1017. In the first year, the bill provided for an unprecedented $230 million increase in state appropriations to public education. The bill also included a $107 million second year and a $105 million third year increase.

- Revenues are generated by means of local ad valorem property, state income, state sales and several other minor state taxes. Nearly all state appropriations to education are distributed through a two tier funding formula consisting of a Foundation Aid and a Salary Incentive Aid formulas. The Foundation Aid formula guarantees a minimum dollar amount per ADM (average daily membership). The Salary Incentive Aid formula performs much in the same way as a percentage equalizing formula. A small portion of revenues are distributed in grant form.

- The current SY 1992 formula was adopted in 1981 and has undergone several modifications since that time. The most important changes include the following: the use of ADM as the basis of funding both tiers of the funding formula; and the addition of weighted pupil grade level, weighted pupil category, weighted district calculation, and weighted teacher experience and degree calculations.

- There is also a pending court challenge to the current funding formula. *Fair School Finance Council* v. *State of Oklahoma*, case No. CJ 90-7165 is based upon Article 1 Section 5 and Article 13 Section 1 of the Oklahoma Constitution which requires the state to establish and maintain a system of free public education for all children of the state. This case also challenges the funding formula for failing to collect properly and distribute ad valorem tax revenues from public utilities through the "common school" fund as required by Article 10 Section 12a of the state constitution.

Local

- The number of Oklahoma school districts is 578.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$1,072 million
Grants in Aid	1,072 million	
Teacher Retirement Contributions	0 million	
FICA	0 million	
Total Local School Tax Revenue[1]		729 million
Total Combined State and Local School Revenue		1,801 million
State Financed Property Tax Credits Attributable to School Taxes	0	

[1] Includes $213 million in intermediate school tax revenue.

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $1,027.6 million (95.9% of total state school aid)

Nature of Program: Two-tiered formula, Foundation Aid Section with a flat grant formula for transportation, and a Salary Incentive Section (similar to a Percentage Equalizing Formula).

Units: Pupils measured in Average Daily Membership (ADM)

Local Fiscal Capacity: Net assessed property valuation for each tier. The Foundation and Salary Incentive Sections are equalized at 15 and 20 mills of the net assessed property valuation respectively. In addition, the former section utilizes a variety of county collected taxes to determine a district's fiscal capacity.

How Formula Operates: The Foundation Aid is determined by multiplying weighted ADM by the Foundation Aid Factor ($1,000) set by the legislature each year. This amount is reduced by (1) subtracting 15 mills times the net assessed valuation and (2) the chargeables including 75% of a four (4) mill county levy, school land, gross production, auto license, and R.E.A. taxes. Foundation Aid is increased by the amount of Transportation Aid.

Salary Incentive Aid is calculated by multiplying an incentive aid guarantee ($47.69) determined by the legislature each year by a district's weighted ADM. The number of mills levied above 15 on a district's adjusted assessed valuation is subtracted from this amount. No district has levied less than the maximum allowed by law (35 mills) in the past ten years.

State Share: The foundation level and incentive aid guarantee are set by the legislature each year. Three-sevenths (3/7) of the available revenue is used to fund Foundation Aid and 4/7 is used to fund Salary Incentive Aid Section. The levels are determined by calculating the state aid formula in reverse for the entire state as if it was 1 district. Once levels are determined, the formula is calculated for each district.

Local Share: The primary source of local revenue is obtained from the collection of 35 mills of the net assessed valuation of real property in each district. In addition, a 4 mill county levy, a motor vehicle license fee, a personal property tax, an R.E.A. tax, a school land tax, and a gross production tax are collected.

Weighting by Grade Level: the higher days membership of the past two years for each category is used.

Early Childhood	.500
Kindergarten	1.300
1st and 2nd Grades	1.351
3rd Grade	1.051
4th-6th Grades	1.000
7th-12th	1.200

Adjustments for Special Factors: An adjustment is made according to how districts fit the criteria for size or sparcity/isolation. The larger of the 2 calculations is used for adjusting weighted ADM.

The qualification for size is based on an unweighted district ADM of less than 529. District ADM is subtracted from 529, divided by 529, and multiplied by .2. The calculation provides a maximum of 26.45 of additional ADM.

The sparcity/isolation formula is used by districts which have more than the state average of 128 square miles and whose area density is less than 1.84.

The sparcity/isolation formula follows:

1. K-5 Cost Factor = K-5 ADM ((74/(K-5 ADM+23))+.85
2. 6-8 Cost Factor = 6-8 ADM((122/(6-8 ADM+133))+.85
3. 9-12 Cost Factor = 9-12 ADM((292/(9-12 ADM+128))+.78
4. District Cost Factor = ((Lines 1+2+3)/SY 89 ADM)-1.00
5. Area Factor = (Dist. Sq. Mi.-126)/128
6. Isolation Factor = lesser of Line 4(Line 5) or Line 4(1.0)
7. Isolation Weight = Line 6(High Original ADM)

Adjustments are also made for special factors including declining or growing enrollment, price level, and municipal overburden.

III. TRANSPORTATION

Funding 1990-91: $22.5 million (2.1% of total state school aid)

Description: Flat Grant. There are 3 factors including pupils measured in Average Daily Haul (ADH) Per Capita, and Transportation Factor which are multiplied together.

ADH is determined by the Average Daily Attendance (ADA) of the students who ride or should ride the bus. Per Capita is a dollar amount determined by a scale density of students per square mile. The Transportation Factor (1.39) is set by the state legislature as a means of adjusting transportation expenditures each year without adjusting the Per Capita tables.

State and Local Shares: All costs not provided for by the state are met by the local district. Usually, it is assumed that the district spends more for transportation than the state provides.

IV. CAPITAL OUTLAY AND DEBT SERVICE

State school aid is not provided for capital outlay financing. Capital outlay needs of local districts are met from the sale of bonds and the establishment of sinking funds. Oklahoma school districts expended $48.8 million for capital outlay during 1990-91.

Bonds can be issued for the following purposes: (1) acquiring or improving school sites, (2) constructing, preparing, remodeling, or equipping buildings, and (3) acquiring school furniture, fixtures, or equipment (Title 70, Sect. 15-103). Bonds not over 7% interest must be paid out semi-annually with a 25 year maximum (Title 75, Sect. 15-101). Transportation bonds for the purpose of purchasing busses may be issued up to 10% of district valuation of taxable property.

Passage of a bond issue requires a referendum election. The issue must be approved by a 3/5 or 60% majority of voters. Bonds may be issued in an amount not exceeding 5% of district valuation of taxable property. Under a situation of "absolute need" a district may issue bonds in an amount up to 10% of district valuation of taxable property (Title 75, Sect. 15-101).

A district sinking fund is established for the purpose of meeting bond obligations. The district deposits revenue from local tax millage collections into the fund. Every 6 months interest is paid out of the sinking fund to bond holders. At maturity, principle is also paid out of this fund. During 1990-91 school districts expended $25.5 million for interest paid on bonds and judgments from sinking funds.

V. TEACHER RETIREMENT

Description: State aid payments are made to the Oklahoma Teacher Retirement System, a defined benefit pension system, outside of state appropriations to public schools. There are no State appropriations related to the member investment plan. Local districts expended a total of $58.9 million on State, County, or Local Retirement Funds; $.9 million for Pension Payments; and $10.5 million for Tax-Sheltered Annuities as Employee Fringe Benefits.

VI. SPECIAL EDUCATION

Description: Funding for special education is a function of the pupil category weights within the Foundation and Salary Incentive Aid Formulas. State totals are not broken down. The following is a list of the weighted pupil categories and the weight each category is assigned for the purpose of calculating weighted Average Daily Membership and State Aid.

Vision Impaired	3.8
Learning Disabilities	0.4
Hearing Impaired	2.9
Deaf and Blind	3.8
Educable Mentally Handicapped	1.3
Emotionally Disturbed	2.5
Gifted	0.34
Multiple Handicapped	2.4
Physically Handicapped	1.2
Speech Impaired	0.05
Trainable Mentally Handicapped	1.3
Bilingual	0.25
Special Education Summer Program	1.2
Optional Extended School Year Program	As determined by the State Board of Education

State and Local Shares: The local district assumes all remaining special education costs not accounted for in formula state aid.

VII. COMPENSATORY EDUCATION

Funds are provided to districts within the Foundation and Salary Incentive funding formulas. Pupil grade level weights, listed earlier in Section II, are used in calculating weighted Average Daily Membership for the purpose of distributing state aid.

The district is expected to use the state funds in conjunction with whatever federal funds may be available under Chapter 1 or Head Start. The district then assumes the remaining costs.

VIII. GIFTED AND TALENTED EDUCATION

Participation in the gifted education program is contingent upon the student scoring in the top 3%, or above the 97th percentile, on standardized tests. Funding for gifted education is accounted for by the pupil category weights within the weighted Average Daily Membership calculations of the Foundation and Salary Incentive Aid formulas. The district assumes the remaining costs.

IX. BILINGUAL EDUCATION

Funding for bilingual education is accounted for by the pupil category weights within the weighted Average Daily Membership calculations of the Foundation and Salary Incentive Aid formulas. The pupil category weights were listed earlier in Section VI, Special Education.

X. OTHER CATEGORICAL PROGRAMS

Purchase of Textbooks

Funding in 1990-91: $13.9 million (1.3% of total state school aid)

Legislature sets level each year. State Board of Education determines amount to each district based on ADA for the second preceding school year. For growing districts, an increase of 2% over ADA = additional money.

Staff Development

Funding in 1990-91: $1.6 million (less than 1.0% of total state school aid)

Funding consists of $103,000 to each of 7 professional development centers. All other funds are allocated to districts on an ADA basis. Funds are allocated with the stipulation that only 5% of funds can be used for administrative costs.

Teacher Consultants

Funding in 1990-91: $1.3 million (less than 1.0% of total state school aid)

Funds are distributed to districts at the rate of $500 for each teacher consultant. Each district is required to have 1 teacher consultant for each licensed, non-certified teacher.

School Lunch Program

Funding in 1990-91: $5.4 million (less than 1.0% of total state school aid)

Funding follows district compliance with National School Lunch Act, Child Nutrition Act, and PL 91-248.

Homebound Children

Funding in 1990-91: $1.3 million (less than 1.0% of total state school aid)

Reimbursement to the district is contingent upon claim filed with state department of education. Provisions are also made for reimbursement of teacher travel expenses.

Library Resources

Funding in 1990-91: $2.9 million (less than 1.0% of total state school aid)

Funding is provided through competitive grants. 50% goes to library improvement of centralized library services, 25% goes to centralized library services in districts with less than 500, and 25% goes to secondary student library media services.

Alternative and At-Risk Education

Funding in 1990-91: $2.4 million (less than 1.0% of total state school aid)

$1 million funded At-Risk grants under title 70, Sec. 1210.561; $.43 million funded competitive grants of $10,000 each for school sites identified as At-Risk; the rest funded competitive grants according regulations established by the state department of education.

Instructional Cooperatives & Technical Education

Funding in 1990-91: $2 million (less than 1.0% of total state school aid)

$.5 million funded competitive grants for instructional computer services; $1 million funded competitive grants (maximum of $60,000) to small school cooperatives to help students meet increased high school graduation and college admission requirements; $59,975 funded (to Chickasha Public Schools on a contractual basis) student room and board at the Jane Brooks School for the Deaf; $54,000 funded the Oklahoma Science and Engineering Fair; $210,000 funded Project Helping Up Through Training; and $300,500 funded implementing telecommunications curriculum statewide.

Driver Education

Funding in 1990-91: $1.7 million (less than 1.0% of total state school aid)

Funded by reimbursement to all districts upon the basis of preceding fiscal year with funding not to exceed $65 per student.

Psychometric Services

Funding in 1990-91: $1.3 million (less than 1.0% of total state school aid)

Funding was provided to districts by the state department of education on a contractual basis.

Voluntary School Consolidation Assistance

Funding in 1990-91: $2.3 million (less than 1.0% of total state school aid)

Money was provided to districts who voluntarily consolidated to cover costs of supplies, transportation of equipment, textbooks, teachers, severance allowance for employees, etc.

Mid Term Adjustment

Funding in 1990-91: $6.9 million (less than 1.0% of total state school aid)

Funded growing school districts. Adjustments were made for districts with a growth rate of 2% over the highest enrollment from the previous 2 years. Appropriation was based upon the effect of the increase in weighted ADM on Foundation and Transportation Aid.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

See Section VII — Compensatory Education.

XIII. LOCAL SCHOOL REVENUE

See Sections I — General Background and II — Basic Support Program.

XIV. TAX AND SPENDING LIMITS

See Sections I — General Background, II — Basic Support Program, IV — Capital Outlay and Debt Service.

XV. EARMARKED STATE REVENUE

None.

OREGON

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For the 3 years ending with 1991-92, Oregon school funding was in transition from the previous distribution formula suspended in 1989 to a new foundation program based on weighted students set to take effect in 1992-93. Therefore this description details the 1992-93 provisions rather than the 1990-91 provisions.

I. GENERAL BACKGROUND

State

- Oregon's state funding formula had its origins in an initiative petition approved by the voters in November 1946. The first distribution was made in the school year 1947-48. Legislatures subsequent to that time have made a variety of changes in the way the funds are appropriated and distributed.
- The state's share of school district revenue has drifted downward over the past decade from nearly 40% of school district operating expenditures in 1980 to under 30% in 1990. An initiative petition (Ballot Measure 5) approved by the voters in November 1990 and effective as of July 1, 1991, amends the Oregon Constitution to limit property tax rates for the public school system to 15 mills in 1991-92 with a systematic reduction (2.5 mills per year) to 5 mills in 1995-96. The state's general fund is required to replace, until 1996, property tax revenues lost to the school system due to the limitation. Only property taxes imposed to pay principal and interest on voter approved bonded indebtedness incurred for construction or capital improvements are exempt from the limitation. Essentially, approval of this initiative petition is changing Oregon's school funding from a heavy reliance on local property taxes to a predominantly state funded system.
- State funds for the public school system are derived from the state income tax. Oregon does not have a sales tax; an attempt to find a source of new funding to replace the property taxes lost due to the property tax limitation is generally anticipated.
- Currently, there are no school finance cases pending in Oregon courts. An attempt by a coalition of school districts in 1990-91 to challenge the school funding system in state courts proved unsuccessful. The new funding formula enacted for 1992-93 is believed to answer the specific concerns previously raised by unequal funding and heavy reliance on local property taxes.

Local

- The state had about 500,000 students enrolled in 297 fiscally independent districts in 1991, of which 182 were responsible for grades K-12, 94 were elementary, and 21 were union high districts. In addition, there were 29 fiscally independent education service districts (ESDs) that provided a range of programs and services to the districts in their service area.
- Property taxes constitute the sole source of local district tax revenues (there is no state property tax).

- Tax levy increases are limited by 2 constitutional provisions which can be overridden by voter approval of a higher "tax base" or operating levy. No more than a simple majority vote is needed.
- A school district may levy a "tax base" amount which is limited to an increase of 6% per year. If the tax base is inadequate, a "safety net" amount may be levied. The "safety net" amount is limited to the amount levied for operations the previous year. The recently enacted property tax rate limitation (Ballot Measure 5) is an additional constitutional limitation which limits the rate of property tax imposed; the "tax base" and "safety net" limitations limit the levying authority of a school district.

Funding Summary, 1992-93 (Estimated)

Total State School Aid		$1,154 million
Grants in Aid	1,154 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue		1,428 million
Total Combined State and Local School Tax Revenue		2,582 million
State Financed Property Tax Credits Attributable to School Taxes*	0	

* This credit was repealed as of 1991-92.

II. THE BASIC SUPPORT PROGRAM

State School Fund

Funding in 1992-93: $1,004 million (87.0% of total state school aid)

Nature of Program: Foundation program known as the State School Fund (Chapter 780, Oregon Laws 1991).

Units: Pupils. Weighted Average Daily Membership (WADM)

Local Fiscal Capacity: Equalized assessed property valuation plus timber revenue, federal aid, and other revenue sources.

How Formula Operates: A general purpose grant is calculated by multiplying a target grant times district WADM times a funding percentage. The target grant is statutorily set at $4,500 per WADM. An adjustment to the target grant amount is made on the basis of the difference between the district's average teacher experience and the statewide average teacher experience. Twenty-five dollars is added to or subtracted from the target grant for each year a district's average teacher seniority in years exceeds or is less than the statewide average teacher experience. The funding percentage, estimated at 91.25% for 1992-93, is calculated to distribute the total sum of money available.

State Share: The state's share is determined by subtracting from the general purpose grant most general revenues received by school districts, including property taxes imposed, timber related revenues, supplantable federal funds received without specific application, in lieu of property tax revenues, and other general revenues statutorily dedicated to schools.

Schedule of Aid Payments:

August 15th	16.67%
October 15th through April 15th	8.33% each month
May	25% or as adjusted for actual revenues

Local Share: The district's share of the general purpose grant consists of property taxes levied (subject to the district's voter approved levying authority and the property tax rate limitation of 12.5 mills for the public school system) and the other revenues listed above as subtractions in determining the state's share.

Weighting by Grade Level: Kindergarten students are weighted at .5.

Weighted average daily membership equals WADM of year of distribution or WADM of prior year, whichever is greater. WADM consists of ADM for the year ending June 30, plus the following additional amounts:

- 1.0 for each student eligible for special education (not to exceed 11% of district ADM without review and approval of the Department of Education). Also includes students in programs for pregnant and parenting teens.
- .5 for each student eligible for and enrolled in English as a Second Language programs.
- .2 for each student enrolled in a union high district.
- Minus .1 (-.1) for each student enrolled in an elementary district.
- For each student in a school operated as a necessary small school, .004 times the difference between the number of students in the school and 251.
- .25 times the total of the number of children 5 to 18 years of age in poverty families based on the 1980 census adjusted by the number of students in the year of distribution divided by the number of students in the district in 1980, plus the number of children in foster homes, plus the number of children in state recognized facilities for neglected and delinquent children.

Total additional weight per student cannot exceed 2.0, exclusive of Item 6 above.

Specific additional weighting factors have been identified for consideration by the next legislature. These include regional differences in the cost of education, high mobility students, especially migrant and homeless, prekindergarten, and secondary school program alternatives.

Adjustments for Special Factors: School size/sparsity adjustment through ADM weighting formula. For a school to qualify for additional weighting as a necessary small school, it must have 250 or fewer students. In addition, an elementary school must be 10 miles away from the nearest elementary school and a high school must be 15 miles away from the nearest high school to be considered a necessary school.

Districts Off Formula: All districts receive general school aid. However, 166 of the 297 districts are considered off formula. The number of districts off formula is unusually high because of the implementation of the new funding formula for 1992-93. The general purpose grant, plus the transportation funding for 1992-93, cannot be less than 100% or more than 125% of the state grant, plus local revenues received in 1991-92. Ninety districts are projected to be held harmless, and 87 districts are projected to be capped at 125% of prior year's revenue. Districts are considered off formula if their aid calculations either fall below the 100% or above the 125% restrictions indicated.

III. TRANSPORTATION

Funding in 1992-93: Estimated at $75 million (6.5% of total state school aid).

Description: Districts receive funds based on the costs of transporting public elementary students living at least 1 mile from school, public secondary school students living at least 1.5 miles from school, students transported for health or safety reasons (if a supplemental plan is approved by the State Board), handicapped preschool children, room and board in lieu of transportation, students between schools, and students participating in field trips that are an extension of the classroom learning experience. Approved costs include depreciation of district-owned buses at 10% of actual cost per year. Funds attributed to depreciation must be used for purchase of new buses or transportation equipment. (Chapter 780, Oregon Laws 1991)

State and Local Shares: The state funds 70% of approved transportation expenditures. The district assumes the remaining 30%.

Extent of Participation: All 297 local school districts.

IV. CAPITAL OUTLAY AND DEBT SERVICE

State school aid is not provided for capital outlay financing. Capital outlay needs generally are met from the sale of bonds. Bond issues require voter approval. Once approved, the levy to pay the principal and interest is not subject to any tax rate or levy limitation.

V. TEACHER RETIREMENT

The Oregon Public Employees Retirement System sets the local district contribution rate. The rate is currently set at 10.86%. The employee contribution is 6.0%, but in almost all cases the 6.0% is picked up by the local school district as a result of collective bargaining.

VI. SPECIAL EDUCATION

Funding in 1992-93: $34 million (2.9% of total state school aid).

Includes $13 million for the Oregon State School for the Blind and the Oregon State School for the Deaf

Description: The state provides services, either directly or through contract, to severely handicapped hearing impaired, visually impaired, autistic, and/or orthopedically impaired children. Six regional programs, the Oregon State School for the Deaf, and the Oregon State School for the Blind provide services to over 2,000 preschools and students.

The state also contracts with local school districts or education service districts for the provision of educational programs in state-operated hospitals and private hospitals, as well as private agency programs with which the Children's Services Division contracts for long-term care or treatment. (ORS Chapter 343)

State Share: The state provides full funding for the support services provided through the regional programs. The state funds 100% of costs for the State School for the Deaf, State School for the Blind, hospital programs, and private agency programs above the amount billed to the county of residency of the student.

Local Share: Local funding is derived from a billing to the county of residency for each student in these programs for the average educational cost per student in that county. Each county's share is paid from the County School Fund. The County School Fund (ORS 328.005-045) consists of a statutorily required tax levy portion and a 25 percent share of the National Forestry Receipts allocated to each county. The tax levy portion is the lower of $10 per census child (ages 4-20) or the minimum amount a county was required to levy in 1965-66. After payment of the required contribution for special education, the remaining funds are distributed to school districts on a per ADM basis.

VII. COMPENSATORY EDUCATION

Funding in 1992-93: Less than $1 million allocated to Portland School District 1J.

VIII. GIFTED AND TALENTED

Funding in 1992-93: Less than $1 million.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Mentor Program/Professional Development

Funding for 1992-93: $4.0 millon (less than 1.0% of total state school aid).

Description: The Beginning Teacher Support Program (ORS 342.782-796) and the School Improvement and Professional Development Program (ORS 336.705-785) are part of an educational improvement effort established in 1987. The first program pairs beginning teachers with mentor teachers. Each pair is funded in the amount of $2,500 per team. School Improvement Grants are limited to up to $1,000 per teacher and the proposals must align with 21st Century Schools educational reform programs in their intent and purpose.

State Share: Fully funded by state appropriation.

Extent of Participation: 600 teams of beginning and mentor teachers for Beginning Teacher Support program and 64 schools out of 1,200 for School Improvement and Professional Development Program (118 applications received).

Student Driver Training

Funding for 1992-93: $1.5 million (less than 1.0% of total state school aid).

Description: A student driver training program for public and private school students is funded by fees collected by the Motor Vehicles Division for the Student Driver Training Fund. (ORS 343.705-750)

State Share: The state pays 90% of the cost of conducting the course or $150 per student, whichever is lower. Prorata reductions are made if funds are inadequate to pay all approved claims in full.

Extent of Participation: Approximately 150 school districts.

Educational Service Districts

Funding for 1992-93: Approximately $21 million (1.8% of total state school aid).

Description: Funds are provided to compensate educational service districts (ESDs) for the loss of property tax revenue as a result of the November 1990 passage of the constitutional restriction on the rate of property tax available to fund education. (ORS Chapter 327)

State Share: The state will fund 85% of property tax revenue uncollectible as a result of the property tax limitation.

Extent of Participation: All 29 ESDs.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Early Childhood Education

Funding in 1992-93: $15 million (1.3% of total state school aid).

Description: Preventive approach to meeting the needs of low income 3-and-4-year-olds. Also includes early childhood special education services to no less than 10% of the children served in prekindergarten programs. Also included are services to preschool children with disabilities from birth to 3 years of age.

State Share: The state pays full cost of programs. Services are provided through contracts with public or private providers.

XIII. LOCAL SCHOOL REVENUE

The property tax is the only local tax used to fund schools. It is expected to raise approximately $1,442 million in 1992-93.

Property is assessed at 100% "real market value" which is constitutionally defined as the minimum amount of cash which could reasonably be expected in an "arm-length" transaction during the period for which the property is taxed. Statute provides for exemption or special assessment for certain types of property.

County assessors determine the value of property in each of the 36 counties, except that utilities and some large industrial properties are centrally assessed at the state level. Statute requires that each property be physically reappraised over every 6 years. As recently as 3 years ago, the majority of Oregon's counties were out of compliance with this requirement.

Staff reduction at the state level had reduced the state's ability to conduct compliance studies and to provide supervision and assistance to the county assessors. Counties, facing revenue shortages, were at the same time cutting back on the assessment function. Measures to correct this deficiency were enacted during the 1989 Legislative Session. Currently, the Department of Revenue is in the process of completing performance reviews on 10 counties.

XIV. TAX AND SPENDING LIMITS

Ballot Measure 5

In November 1990, Oregon voters approved an initiative petition constitutionally limiting property tax rates (Article XI, Section XIb). Non-school taxing districts are limited to 10 mills. Once the limit is reached, a non-school district receives its proportionate share of the total taxes imposed under the 10 mill limit.

School districts are limited to 12.5 mills for 1992-93. Each year the millage rate will be reduced by 2.5 mills until the 5 mill limit is reached in 1995-96.

This measure requires the Legislative Assembly to replace from the state's general fund any revenue lost by the public school system because of the limitations on property taxes resulting from this measure. The state was able to meet this obligation for 1992-93 without the enactment of a replacement tax. The state's obligation increases dramatically in future years, resulting in the potential of a major strain on state resources.

Six Percent Limitation

The Oregon constitution (Article XI, Section XI) defines a tax base as an amount obtained by adding 6% to the total tax levied by the taxing unit, exclusive of bonded debt or special levies in any one of the last 3 years. A tax base may be levied (subject to Ballot Measure 5 limits) without voter approval.

A new tax base — specified in dollars, not rate — may be established if approved by the voters.

Safety Net

Approved by the voters in 1987, mainly to prevent school closures, the "safety net" (Article XI, Section XIa) provides a school district the authority to levy for operating purposes a dollar amount not in excess of the amount levied for operating purposes in the preceding year. As above, this levy authority is subject to the Ballot Measure 5 rate limitation.

For school districts with an inadequate or nonexistent tax base, the "safety net" provides levy authority without the requirement for annual voter approval of one-year special levies.

Bonded Debt

Ballot Measure 5 exempts from the rate limitation the property tax levy for the repayment of principal and interest of general obligation bond issues for capital construction or improvements. Voter approval is required for general obligation bonds.

Bonded debt amounts are limited to the following percentages of real market value of all taxable property in the district:

For each grade K-8 for which the district operates schools, .0055 of real market value.

For each grade 9-12 for which the district operates schools, .0075 of real market value.

Budget Deficits

Statute prohibits budget deficits by prohibiting maturities on notes from extending beyond the end of the fiscal year.

XV. EARMARKED STATE REVENUE

The Common School Fund ($15.2 million to be distributed in 1992-93) was established by the Oregon Constitution (Article VIII, Section 2) in 1859, at which time the federal government granted to the state the 16th and 36th section of every township to support the public schools. Proceeds from the management of these lands accrue to the Common School Fund principal. The income earned on this principal is distributed to school districts twice each year.

PENNSYLVANIA

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I. GENERAL BACKGROUND

State

- The state share of local school district general fund revenue has declined over the past 15 years from more than 50% during the middle 70's to a low of 37% for 1990-91. The general fund revenue of school districts in 1990-91 was $9.4 billion with $3.5 billion provided from state sources. The state percentage is actually higher if adjusted to reflect the direct state contribution to the Public School Employees' Retirement System and Intermediate Units for special education. The retirement contribution amounted to $571 million during 1990-91 and direct special education funding was $385 million. The state's direct payment to the retirement system and for special education increases total school revenue to $10.4 billion and state support to 42%.

- State funds for public education come from state general fund revenue raised mainly through a state sales tax of 6%, personal income tax of 2.1%, and corporate net income tax of 8.5%. The total state budget for direct and indirect aid to public education amounted to approximately $4.5 billion in 1990-91 and was approximately 33% of the state's total general fund. *The personal income tax was increased to 3.1% and the corporate net income tax to 12.25% for the 1991-92 fiscal year.*

- Pennsylvania uses a percent equalization formula to distribute approximately 70% of all state funds for public schools. The state's major foundation support subsidy reimburses on the basis of an instruction expenditure of $2,380 per reimbursable pupil during 1990-91 for 1989-90 expenditures. The statewide instruction expenditure per reimbursable pupil was $3,738 and the median expenditure $3,561 during 1989-90. This foundation formula plus supplements generated $2.7 billion during 1990-91, which provided 40% state reimbursement of instruction.

- School finance reform is currently a major concern of both state officials and a coalition of school districts. The Pennsylvania Association of Rural and Small Schools (PARSS) filed suit against the Commonwealth's school funding system during January 1991. The lawsuit was filed on behalf of 145 participating school districts. The suit alleges that the Pennsylvania school funding system is unconstitutional under both the thorough and efficient, and the equal protection clauses of the Pennsylvania Constitution. This is the second attempt to overturn a Pennsylvania school funding system on constitutional grounds. A previous attempt by the Philadelphia School District in 1979 (*Danson* v. *Casey*) was unsuccessful. Another coalition called the Alliance for a School Aid Partnership (ASAP), made up of the 14 major statewide education organizations, has proposed an equity supplement to the current funding system. The supplement would guarantee each school district the ability to provide average spending per pupil with average local taxes.

Local

- The Commonwealth has 501 school districts. Of these, 500 are fiscally independent of which 499 are operating. The City of Philidelphia School District is dependent upon the city council for local revenue. Additionally, there are 27 independent intermediate units mainly providing special education services and 69 vocational technical schools. The vocational technical schools are funded by participating school districts and the intermediate units are for the most part fully funded by the state. *A substantial funding change for special education services provided by intermediate units occurred for the 1991-92 school year. The effect of this change is that intermediate units will be dependent on local school districts and not the state for funding during 1991-92 and thereafter.*

- A total of $5.5 billion in local revenue was budgeted by Pennsylvania school districts during 1990-91. Local revenue included: $4.1 billion (75%) from property based taxes; $800 million (15%) from income-based taxes; $180 million (3%) from delinquent taxes and $400 million (7%) from other local revenue sources.
- The class of a school district is determined by the total population of the school district as follows: First Class, 1,500,000 or more; First Class A, 500,000 - 1,499,999; Second Class, 30,000 - 499,999; Third Class, 5,000 - 29,999; Fourth Class, 4,999 or less.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$4,431 million
Grants in Aid	3,638 million	
Teacher Retirement Contributions	571 million	
FICA	222 million	
Total Local School Tax Revenue		6,060 million[1]
Total Combined State and Local Revenue		10,491 million
State Financed Property Tax Credits Attributable to School Taxes	0	

[1] Includes $589 million in beginning general fund balances.

II. BASIC SUPPORT PROGRAM

Equalized Subsidy for Basic Education

Funding in 1990-91: $2,746 million (61.9% of total state school aid)
Funding in 1991-92: $2,946 million (60.1% of total state school aid)

Nature of Program: A percent equalized foundation program known as the Equalized Subsidy for Basic Education (ESBE). (Sections 2501 and 2502 of the Public School Code of 1949 and Act 25 of 1991).

Units: Pupils. Weighted average daily membership (WADM).

Local Fiscal Capacity: Equalized assessed property valuation and personal income. The 1990-91 aid ratios used 1988 market value and 1988 personal income. The wealth measure used in the ESBE is the state aid ratio. A district's state aid ratio is equal to:

$$\text{State Aid Ratio} = .6\,(\text{Market Value Aid Ratio}) + .4\,(\text{Personal Income Aid Ratio})$$

$$\text{Market Aid Ratio} = 1 - \left(\frac{\text{District Market Value / District WADM}}{\text{State Ave. Market Share / State WADM}} \times .5 \right)$$

$$\text{Personal Income Aid Ratio} = 1 - \left(\frac{\text{District Personal Income / District WADM}}{\text{State Ave. Personal Income / State WADM}} \times .5 \right)$$

The state has established a minimum aid ratio of 15% and the maximum calculated aid ratio during 1990-91 was 84%.

How Formula Operates: The base component of the formula is calculated by multiplying together an amount established by the legislature, the aid ratio, and the WADM. The amount established by the legislature is called the Factor for Educational Expense (FEE) and was set at $2,380 for 1990-91 and $2,550 for 1991-92. All school districts in Pennsylvania received the base subsidy payment which totaled $2.31 billion during 1990-91 and is projected at $2.46

billion for the 1991-92 payment. The base payment accounted for 84% of the total state instruction subsidy during the 1990-91 and 1991-92 school years.

State Share: The amount of state aid each district receives is equal to:

State Aid = (FEE x State Aid Ratio x WADM) + Special Factors

Schedule of Payments: Beginning August 1, the state pays 15% of the previous year's total subsidy every other month until June 1. On June 1 the state pays the remaining subsidy including any increase for the current year.

Local Share: Local districts are responsible for all costs not covered by the state subsidy.

Weighting by Grade Level: Full-time secondary daily membership is weighted at 1.36 for 180 day membership. All others are weighted at 1.00 for full time 180 day membership and 0.50 for half time 180 day membership.

Adjustments for Special Factors: Low income supplement, Economic Assistance, Small District Assistance, Equity Supplements.

1. Low Income Supplement. School districts with more than 8% of their average daily membership (ADM) receiving in excess of $2,000 from the Commonwealth under the Aid to Families with Dependent Children (AFDC) title of the federal Social Security Act, qualify for a low income supplement. If the percentage of low income pupils is between 8% and 14.9% the district qualifies for an additional 6% of the FEE for each low income ADM ($143 in 1990-91 and $153 in 1991-92); 15% to 19.9% qualifies for a payment of 16% of the FEE ($381 in 1990-91 and $408 in 1991-92) 20-29.9% qualifies for 16% of the FEE in 1990-91 and 23% of the FEE in 1991-92 ($391 in 1990-91 and $587 in 1991-92). A low income population of 30% or more qualifies for a payment of 27% of the FEE, amounting to $643 in 1990-91 and $689 in 1991-92. The low income supplement totaled $89 million for 169 districts in 1990-91 and is projected to provide $95 million to 162 districts during 1991-92.

2. Economic Supplement. A supplement based on local tax effort and population per square mile is provided for school districts which tax above the state median or are contained within first to third class cities which tax above the city median. School districts which tax above the median and have a population per square mile of 5,950 or more receive a payment of 5% of their instruction expenditure; population per square mile between 4,000 and 5,949 receive 3% of their instruction expenditure; and a population of less than 4,000 per square mile receive 1.0% of their instruction expenditure. School districts with a population of more than 5,950 per square mile and at least 35,000 WADMs are paid 19% of their instructional expenditure (this includes only Philadelphia and Pittsburgh). 256 school districts received a tax effort supplement of $273 million during 1990-91 and the same number are projected to receive $289 million during 1991-92.

3. Small District Assistance. A supplement of $115 per-pupil in average daily membership (ADM) was provided in 1990-91 for districts with an ADM equal to or less than 1,500 and a market value personal income aid ratio of .5 or greater. The payment for 1991-92 was increased to $170 for small districts with an aid ratio at or above .5 and $190 for small districts which also had a population per square mile of less than 90. 118 school districts qualified for a total of $15.3 million during 1990-91 and 119 districts qualified for an estimated payment of $24 million during 1991-92.

4. Equity Supplements. Two new instruction subsidy supplements were enacted by the Legislature for the 1991-92 school year. The first equity supplement provides a subsidy equal to 1.3% of the school district's instruction expenditure to districts which have a state aid ratio equal to or greater than .6 and per-pupil instruction expenditures less than the statewide district median. 204 school districts which spent less than $3,261 and had a state aid ratio equal to or greater than .6 will qualify for a subsidy of $19.9 million during 1991-92. The second equity supplement will go to school districts which spent less than $3,045 during 1989-90 and had more than 10% of their ADM as children from low income families. This supplement amounts to .5% of the district's actual instruction expenditure. This supplement will provide $3.1 million during 1991-92 to 71 school districts which met the requirements during 1990-91.

Districts Off Formula: None. All districts receive aid through the EBSE. However, the state has provided a hold-harmless plus a minimum increase in ESBE of 2% since 1981. There were 260 school districts in 1990-91 and 134 districts in 1991-92 participating in the minimum increase provision.

III. TRANSPORTATION

Funding in 1990-91: $236.7 million (5.3% of total state support)

Funding in 1991-92: $301.6 million (6.2% of total state support)

Description: School districts which provide transportation to public and non-public school students receive subsidies for all students based on the approved cost of transportation and the district's market value aid ratio, plus an additional flat amount per-pupil for non-public school students. (Sections 1300, 1312, 1331, 1361, 1362, 1374, 2509.1, 2541, 2542 and 2543 of the Public School Code of 1949).

State Share: The state subsidy is based on approved allowances for vehicle capacity, mileage traveled, utilized passenger capacity, excess driver hours in congested areas, and the type of service provided. The school district receives the lesser of the Approved Reimbursable Costs (ARC) or their actual costs of transportation which is then multiplied times the district's market value aid ratio. The ARC is calculated by taking the sum of the 4 components (units) times a cost index which is based on the consumer price index (2.834 for 1990-91 and 2.964 for 1991-92). The components of the ARC are calculated as follows:

1. Vehicle Allowance. The vehicle allowance for a bus with a capacity of 11 passengers or more is calculated by adding $540 to the product of an amount based on the age of the bus and the approved pupil capacity. The amounts based on age of the bus are: $20 for 1-3 years; $18 for 4-6 years; $16 for 7-10 years; and $12 for 11 or more years. The allowance for a bus with capacity of 10 or less is calculated by adding $360 to the same range of bus/pupil capacity products.

2. Mileage Allowance. The mileage allowance is calculated by taking the product of the approved daily mileage and the number of school days in service times 23 cents.

3. Utilized Passenger Capacity. The utilized passenger capacity is calculated by taking the greatest number of pupils in any run times the approved annual mileage.

4. Excess Driver Hours. The excess driver hours for driving in congested areas is the product of the approved hours and $3 per hour.

The total of these 4 components are multiplied by the Cost Index to arrive at the Approved Reimbursable Costs. The lesser of the ARC or the actual cost of transportation is then multiplied by the district's market value aid ratio to arrive at the regular reimbursement.

The final calculation is for Excess Cost Reimbursement and is designed to limit the transportation liability of a district to one-half mill on the district's market value. If the ARC exceeds one-half mill on market value the district receives this difference in addition to the regular reimbursement.

Non-public students transported by school districts qualify the district for an additional state transportation subsidy based on a flat amount per non-public student transported. The non-public subsidy was $70 during 1990-91 and is estimated at $124 per non-public pupil transported during 1991-92.

Local Share: The school district is responsible for costs not reimbursed by the state.

Extent of Participation: 491 school districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

School Construction and Renovation State Subsidies

Funding in 1990-91: $142 million (3.2% of total state school aid)

Funding in 1991-92: $214 million (4.4% of total state school aid)

Description: The state provides subsidies to school districts for the construction, renovation or purchase of school buildings on the basis of approved expenditures and percent equalization (Sections 2572 and 2574 through 2580 of the Public School Code of 1949). State subsidies are based on the rated pupil capacity of the building as approved by the Department of Education.

The local fiscal capacity of the district is taken into account by use of the market value aid ratio or the Capital Account Reimbursement Fraction (CARF), whichever is higher. (The Capital Account Reimbursement Fraction was the fiscal capacity factor in effect for the 1955-56 school year and is based on the relative market value wealth for a teacher unit of 30 elementary or 22 secondary pupils.)

In order to qualify for state subsidy for the construction, renovation or purchase of a school building each school district must go through a substantial approval process called PLANCON. This process includes but is not limited to justification, site acquisition information, calculation of project costs, calculation of rated pupil capacity, and full documentation at each stage of the project's development.

State Share: Once all the approvals have been received the state will participate in the funding of the project based on the maximum reimbursable amount calculated from the rated pupil capacity of the building and the district's market value aid ratio or CARF, whichever is higher.

The maximum reimbursable amount during 1990-91 and 1991-92 for new construction or alterations to an elementary building is $3,900; a secondary building $5,100; and $6,300 for a vocational facility times the rated pupil capacity (RPC). The maximum reimbursable amount for a purchased building is $1,100 for an elementary building and $1,700 for a secondary building times the RPC. The maximum reimbursable amount for the renovation of a purchased building is the RPC times $1,200 for an elementary building and the RPC times $1,300 for a purchased secondary building. There are additional allowances for architect's fees, sanitary sewage disposal and rough grading to receive the building.

V. TEACHER RETIREMENT

Funding in 1990-91: Retirement $571 million (12.9% of total state school aid)
FICA $222 million (5.0% of total state school aid)

Description: The School Employees' Retirement System (SERS) is administered by the public school employees' retirement system board of directors made up of 15-members representing annuitants, the Governor and the Legislature. During 1990-91, school districts and the state each contributed 1/2 of a total contribution rate of 14.9% of payroll. The state and local school districts each contributed $571 million for a total $1.14 billion contribution. The state makes payment directly to the SERS. School employees hired prior to 1983 pay 5.25% and school employees hired after 1983 pay 6.25% of their salary towards their retirement each year.

The state also pays one-half of the employer share of social security.

Extent of Participation: All districts

VI. SPECIAL EDUCATION

The Special Education Funding Program

Funding in 1990-91: $385 million (8.7% of total state school aid)

Funding in 1991-92: $508 million (10.4% of total state school aid)

Description: The Special Education Funding Program was an excess cost funding program for 1990-91 and a flat amount for a fixed percent of each district's student population for 1991-92 (Sections 1371-1380 and Section 2509 of the Public School Code of 1949). The system is funded on the basis of full-time equivalent students in special education classes during 1990-91. The 1991-92 system does not account for the incidence rate of special education students.

There are no considerations of local wealth in either the excess cost funding system in effect during 1990-91 or in the per-pupil funding system in effect for 1991-92.

State Share: The State excess-cost funding program in effect for 1990-91 paid the difference between the per-pupil special education costs and the costs for educating a non-special needs pupil, on a district by district basis. The funding program provided $385 million to 29 intermediate units which were responsible for allocating the appropriation for the classes they operated and to districts for the programs which were district based. The excess-cost funding system had a deficit of $147 million for the 1990-91 fiscal year. The deficit was excess-cost funding owed to school districts for district operated programs.

A new special education funding system was implemented for the 1991-92 fiscal year. This system paid off the excess-cost funding deficit and guaranteed a minimum aggregate increase of 3.5% to each intermediate unit (IU) and its constituent districts. Additionally, the system paid $525 for 17% of a school district's average daily membership (ADM) who were assumed to have part-time special education needs and $7,000 for one percent of a district's ADM who were assumed to require full-time special education services. State special education monies will flow to the district of residence instead of the intermediate unit.

Local Share: During 1990-91, the local school district's share of special education costs was the district tuition rate. The 1991-92 system requires districts to pay all costs in addition to the flat amount provided by the state. The tuition rate is the rate districts have to pay to the IU for programs that its pupils attended at the IU.

Since there was a $147 million deficit related to district-operated programs during 1990-91, districts had to fund the full cost of special education programs provided by the district itself.

Extent of Participation: All districts

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

Gifted and Talented Education is funded as part of the special education subsidies. During 1990-91, the state paid the full excess-cost. During 1991-92, the state paid special education reimbursement for 17% of each districts' students who were assumed to be mildly handicapped or eligible for gifted and talented education.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

The Vocational Instruction Subsidy Program

Funding in 1990-91: $38.9 million (less than 1.0% of total state school aid)

Funding in 1991-92: $38.9 million (less than 1.0% of total state school aid)

Description: The Vocational Instruction Subsidy Program is a percent equalized program. (Section 2502.8 of the Public School Code of 1949.) It uses the vocational average daily membership (VADM). Students who attend area vocational technical schools are weighted at .21 of their Average Daily Membership (ADM). Students who participate in district operated vocational technical programs count as .17 of the ADM.

The wealth measure is the same as that used for the basic instruction subsidy — the state aid ratio.

State Share: The subsidy is calculated by multiplying together the base earned for reimbursement (BER), the state aid ratio and the vocational average daily membership (VADM). The base earned for reimbursement is calculated on the basis of the school district's local tax effort and the statewide median instruction expenditure. The district with the highest tax effort receives reimbursement based on a BER at the median instruction expense and the district with the lowest tax effort is reimbursed by a BER $200 less than the median. All other districts are paid a subsidy based on their local tax effort and a BER between the median and $200 below the median.

The amount of subsidy is the product of the lesser of the districts actual instruction expense per WADM or the base earned for reimbursement, the market value personal income aid ratio and the VADM. The vocational subsidy law provides that if the sums appropriated are not sufficient to pay the total subsidy entitlement, then the payment is proportionately reduced to the extent necessary to bring the aggregate allocation within the limits of the appropriation. The vocational instruction subsidy was sufficient during 1990-91 to provide 100% of entitlement to all school districts. The projection for 1991-92 is that school districts will receive approximately 95% of their entitlement.

Local Share: Balance of costs.

Extent of Participation: All districts

Other Programs

The state also provides funding of approximately $90 million for 11 other programs. These programs include: Intermediate Unit operation, intervention programs for the handicapped, tuition for orphans and children placed in private homes, school food services, adult literacy, school performance incentive grants, intructional support teams, teacher centers, education of the disadvantaged, homebound instruction, and education of migrant laborers' children.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Pennsylvania provides a number of non-public school subsidies including money for transportation, textbooks and pupil services. During 1990-1991, Pennsylvania provided approximately $80 million in direct aid to non-public school students. During 1991-92, direct aid to non-public schools totaled approximately $93 million.

In addition to the direct aid for non-public students, the commonwealth provides support for vocational and special education, and the regular transportation subsidy.

XII. PREKINDERGARTEN EDUCATION

Pennsylvania provided state subsidy for early intervention programs geared to handicapped children.During 1990-91, state subsidy for these early intervention programs totaled $24 million. The early intervention budget for 1991-92 totaled $32 million.

XIII. LOCAL REVENUE

Local revenue during 1990-91 consisted of $4.1 billion in property taxes; $49 million in public utility real estate taxes (these are collected at the state level and redistributed to districts on a pupil basis); per-capita totaling $17.3 million; $7.7 million in lieu of taxes; $752 million for local earned income and occupational assessment taxes; $181 million in delinquent tax collections and $209 million earnings on investments. All other local revenue sources were fees for services such as tuition charged to students from other school districts.

Property assessments are not uniform in Pennsylvania. Each county sets its own assessment ratio and determines when, if ever, there will be a reassessment. The ratio of assessment to market values range from an average of 5.6%

in Delaware County to 115.5% in York County. Pennsylvania has a independent state agency called the Pennsylvania State Tax Equalization Board. This agency determines projected market values for each school district based on the actual selling price of properties within the district. The State Tax Equalization Board annually publishes a certification of market values by school district. These market values are used in the calculation of the market value aid ratio.

XIV. TAX AND SPENDING LIMITS

The tax levies of school districts are regulated by numerous special acts of the legislature. Tax levies in the Philadelphia school district are regulated by sections 651 through 666 of the Pennsylvania Public School Code. The Philadelphia school district is dependent on city taxes and has no independent taxing authority. All other Pennsylvania school districts have independent taxing authority under sections 671 through 687 of the Pennsylvania Public School Code. The real estate tax for second, third-and fourth-class districts is limited to 25 mills on assessed value (assessments are not uniform). Additional levy amounts are authorized to pay rentals due school building authorities, teacher salaries, liquidation of specified bond issues, and approval of emergency projects. The effect of these additional levy authorizations is to provide unlimited local property tax authority.

The school district debt limit for a First Class School District is limited to 200% of the borrowing base. For all other local governmental units including school districts, the debt limit is 35% of the borrowing base. These limits apply to new lease rental debt or non-electoral debt. There is no limitation on debt issued by local government units and approved by majority vote.

Budget Approval

School budgets are not subject to voter approval. School boards advertise the budget and hold open hearings on the budget 30 days prior to adopting the budget during which time the board takes taxpayer input.

V. EARMARKED STATE REVENUE

None.

RHODE ISLAND

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I. GENERAL BACKGROUND

State

- The state share of funding for public elementary and secondary education has increased from 34.1% in 1980-81 to 39.7% in 1990-91. During the same period the local share dropped from 60.4% to 56.1%; the federal share declined from 5.5% to 4.2%.

- There are 2 major sources of unrestricted state aid to local education agencies. The first is a percentage equalizing formula which distributes the majority of aid based on the following factors: (1) local per pupil wealth relative to the state average per pupil wealth, (2) transportation costs, (3) approved local expenditures for education, (4) a state determined minimum mandated program, and (5) a state determined state share of expenditures. There is also a bonus paid to those school districts that have met certain requirements for school regionalization and further, there is a minimum guarantee provision that no district shall receive less than 28% of its approved expenditures.

- The second major source of aid to local school districts is a special education excess aid formula that identifies the difference between the cost of a non-handicapped student and one who receives any or all special education services. It is based on 14 categories of placement and approved costs are reimbursed up to 110% of the statewide median in each placement. The allocation for this funding formula is capped.

- During the 1985 General Assembly, the "Omnibus Property Tax Relief and Replacement Act" was passed. As part of this law, an increase of 2% per year to the average state share in operations aid was mandated. This will continue until the average share of expenditures of 50% is achieved by the state. In 1988, legislation was passed to increase the state share to 60%; however, the additional funds from the move from 50% to 60% are restricted in their use and are disbursed through block grants and other methods. The 50% level funding of operations aid was achieved in FY 1991. It is important to note that reaching a 60/40 support level does not mean that the state will share in 60% of each district's educational costs; rather, the state's average level of support will be 60%. Once 60/40 is achieved, there will still be 25% minimum guarantee districts, as well as districts receiving a share ratio of over 80%.

- Until 1990, about $2 million of the 60/40 funds were allocated for the Educational Improvement Fund. The Educational Improvement Fund was used to achieve compliance with the Basic Educational Program (B.E.P.) and once B.E.P. deficiencies were resolved, for asset protection.

- Current law provides that 50% of the funds generated annually from the move to 60/40 is disbursed as block grants; and 50% is allocated by the Governor and the General Assembly upon recommendation of the Commissioner of Education. Block grants are designed to provide pre school programs, parent training, full-day kindergartens and to reduce class size in the primary grades. Districts receive block grant funds in the same proportion as they receive general operations aid. Block grants were funded in FY 1989 and FY 1990; no funding for them was available in FY 1991 and FY 1992.

Local

- There are 37 fiscally dependent school districts in Rhode Island where local funding for elementary and secondary education is raised as part of the local municipal tax levy.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$332 million
Grants in Aid	326 million	
Teachers Retirement Contribution	Suspended for 1 year.	
FICA	0	
Total Local School Tax Revenue		454 million
Total Combined State and Local School Revenue		786 million
State Financed Property Tax Credits Attributable to School Taxes	NA	

II. THE BASIC SUPPORT PROGRAM

Operations Aid

Funding in 1990-91: $285.7 million (87.6% of total state school aid)

Nature of Program: A Percentage Equalizing Formula

Units: Pupil. Average Daily Membership (ADM)

Local Fiscal Capacity: Equalized assessed property valuation adjusted for district median income.

How Formula Operates: The percentage equalizing approach places responsibilities in the hands of the local school district as follows: (1) level of expenditures, (2) expenditure for services in excess of the minimum state mandates. With this approach, each school district establishes its own expenditure level, and the state provides a specified percentage of that expenditure (the percentage being a function of the district's relative wealth). The actual amount of state aid to each district is determined by a formula much like the one used by Rhode Island.

Features of the Rhode Island formula:

- Is based on a district's ability to pay for education which is determined by comparing the per-pupil wealth of a district to that of the state as a whole.

- Is calculated using a number called the share ratio which is the percent of the state's share of each district's educational costs.

- The minimum state share set by law is 25.0%.

- Establishes a minimum per pupil local expenditure for educational costs (minimum educational program).

- Non-public school pupil counts are included in the calculation where they increased the state share ratio.

- Uses a 2 year reference, that is, the 1991 state share of educational expenditures is based on 1989 local expenditures.

- A fifty-fifty average state and local sharing in the cost of education was achieved in non-restricted operations aid in FY 1991. This share is scheduled to increase annually until an average 60/40 state and local sharing is achieved; however, the additional funds from the move from 50% to 60% are restricted in their use and disbursed through block grants and other allocations for purposes established by the Education Finance and Reform Act of 1988. Local shares for operations aid and 60/40 funding established in law as follows:

Fiscal Year	*Operations Aid*	*60/40 Funding*
1992	50%	48%
1993	50%	46%
1994	50%	44%
1995	50%	42%
1996	50%	40%

- Contains a bonus for regionalization:

- 2% for each grade regionalized for the first 2 years; decreases .25% per grade per year until 8% level is achieved.

- Includes 5% set-aside requirements for literacy improvement activities.

- If the state appropriation is less than the total statewide entitlements, each district's entitlement is ratably reduced.

The Operations Aid formula is as follows:

$$S = \left[1.00 - .5 \left(\frac{(ewav) / ((radm \times \$3{,}800) + t}{(EWAV) / ((RADM \times \$3{,}800) + T.} \right) \right] E$$

Where: S = State share entitlement which the district receives

1.00 = Represents the state plus local share

.50 = Factor which represents the approximate average district share of school support for 1992 allocations for operations aid.

$3,800 = minimum mandated program

ewav = Equalized weighted assessed valuation for the district, adjusted for median family income

radm = Resident ADM for district

EWAV = Equalized weighted assessed valuation for the state

RADM = Total membership of districts

t = Transportation cost for district minus special education excess costs

T = Transportation costs for all districts minus special education excess costs

E = Approved resident expenditures for reference year minus excess costs of special education, vocational education costs, tuitions, federal and state receipts, and other income.

The above formula can also be represented as:

$$S = [1-.5(v/mc+t)/(V/Mc+T)]E$$

where: S = State share entitlement which the district receives.

1.00 = Represents the state plus local share.

.50 = Factor which represents the approximate average district share of school support for 1992 allocations for operations aid.

c = Minimum mandated program for 1990 ($3,800) to be used in 1991 aid calculation.

v = Equalized weighted assessed valuation for each district (adjusted for median family income).

m = 1/2 kindergarten resident average daily membership for each district.

V = Equalized weighted assessed valuation for the state (total of all district wealth)

M = 1/2 kindergarten resident average daily membership for the state (total of all districts)

t = Transportation cost for each district minus special education excess transportation costs

T = Transportation cost for the state (total of all districts) minus special education excess transportation costs

E = Approved reimbursable expenditures for each district for the reference year minus the excess costs of special education, vocational education costs, tuitions, federal and state receipts, and other income.

Any Regional Bonus would be added to share ratio prior to multiplying ratio times the expenditures.

Special Education Excess Aid Program: See Section VI.

Limited English Proficient Children: See Section IX.

Vocational-Technical Education: See Section X.

School Housing Aid Program: See Section X.

Weighting by Grade Level: Kindergarten weighted at .5.

Adjustments for Special Factors: See Features above.

District Off Formula: None.

III. TRANSPORTATION

Transportation costs are included as a variable in the basic support formula.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Information not available.

V. TEACHER RETIREMENT

Information not available.

VI. SPECIAL EDUCATION

Funding in 1990-91: $34.3 million (10.3% of total state school aid)

Special Education Excess Aid Program. To replace the small categorical program for handicapped students, the general state aid system was amended in 1976 to provide entitlements in the 1979-80 school year, and each year thereafter, for the excess costs entailed in educating handicapped children. These costs, which are expanded for special education students in identified program continuum placements, include personnel, materials and equipment, tuition, transportation, rent, and contractual services. The program placement categories are defined in the special education regulations of the Board of Regents which became effective as of October, 1977 and which are updated bi-annually.

Excess costs are defined as the additional funds needed to provide services for handicapped children over and above the regular instructional costs. In an attempt to control spending, a provision was included that no reimbursements shall exceed 110% of the state median cost for special education pupils in each placement. Any costs incurred over this limit are not reimbursable either under the funding program for the handicapped or under the general state aid formula.

Limits were placed by legislation on the amounts appropriated for the handicapped excess cost program. These limits are:

Entitlements for:

1979-80	$13 million
1980-81	$14 million (limit lifted to $15.5 million)
1981-82	For each year after 1980-81, the increase shall be no more than 8% of the preceding year.
1985-88	A 6% growth limit was enacted.
1989	Legislation established 8% minimum growth.

In order to be eligible for funds under the program for handicapped children, each school district must comply with certain requirements in law. These requirements include:

Compliance with the regulations of the Board of Regents governing the special education of handicapped children.

Efficient and economic operation of handicapped programs.

Certain expenditures from its own money for the special education of handicapped children.

Reports on expenditures for handicapped programs to be made in accordance with standard accounting procedures.

Expenditures captured by program placement based on the amount of time spent out of the regular classroom.

The average special education cost by district paid to Beneficiary Programs as the local contribution for each pupil attending such programs.

Features of the Special Education formula:

- Is based on the difference between educating a regular student and a special education student and is not based on wealth.
- Aid is based on 14 categories of placement for the special education student.
- District entitlement is up to 110% of the state median excess cost in each special education category.

- Uses a 2-year reference, e.g., the 1992 state share of educational expenditures is based on 1990 local expenditures.
- Legislation provides for a yearly increase to the statewide allocation of 8% or the percent increase of operations aid, whichever is greater.
- If the state appropriation is less than the total statewide entitlement, each district's entitlement is ratably reduced.

The Formula:

$$\text{Entitlement} = \left(\begin{array}{c}\text{Per Pupil Cost}\\ \text{in a Special Ed.}\\ \text{Category}\end{array}\right) \text{ or } \left(\begin{array}{c}\text{110\% of State}\\ \text{Median in a}\\ \text{Special Ed.}\\ \text{Category}\end{array}\right) - \left(\begin{array}{c}\text{Per Pupil Cost}\\ \text{in Regular Ed.}\end{array}\right) \times \left(\begin{array}{c}\text{No. of}\\ \text{Special Ed.}\\ \text{Students (FTE)}\end{array}\right)$$

VII. COMPENSATORY EDUCATION

Information not available.

VIII. GIFTED AND TALENTED EDUCATION

Information not available.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Limited English Proficient Children. The 1977-78 state budget included an appropriation for bilingual programs. The Rhode Island Department of Education prepared guidelines for the distribution of these funds under a competitive grant process. Districts desiring funds from this program submitted proposals that were evaluated by the Department and, based on the results, grant awards were made. The appropriation of these funds in 1981-82 expanded the eligibility to programs for bilingual, non-English speaking, and English as a second language.

Beginning in FY 1986, however, an incentive entitlement program to provide additional aid for services to limited English proficient students (LEP) was established. The purpose of this program is to encourage districts to establish and expand programs and services for limited English proficient children. The entitlements are based on a per pupil limited English proficient cost times the number of full-time equivalent LEP students per district times the district share ratio. No district receives a combined entitlement under this program and under state operations aid that exceeds the actual expenditures for limited English proficient students.

Limited English Proficient Incentive Funding:

- Is received in addition to operations aid.
- Is based on the district share ratio.
- Uses a 2-year reference, e.g., the 1991 state share of educational expenditures is based on 1989 local expenditures.
- Establishes a statewide average per pupil limited English proficient education cost on which the district entitlement is based.

- Legislation provides for up to 100% funding.
- If the state level appropriation is less than the total statewide entitlement, each district's entitlement is ratably reduced.

The Formula:

$$\text{Entitlement} = \left(\begin{array}{c}\text{Average Statewide}\\ \text{LEP Cost Per Pupil}\end{array}\right) \times \left(\begin{array}{c}\text{LEP}\\ \text{Full-time}\\ \text{Equivalent}\end{array}\right) \times (\text{Share Ratio})$$

X. OTHER CATEGORICAL PROGRAMS

Vocational Technical Education

Funding in 1990-91: $6.4 million (1.9% of total state school aid)

Entitlement For Vocational-Technical Education. An incentive entitlement program to provide additional state aid for providing services to vocational-technical students was adopted by the General Assembly in 1981; the first entitlements were allocated in 1984-85. The purpose of these entitlements was to encourage districts to participate fully in the area vocational program and, by so doing, to promote the expansion of these programs.

The entitlements were calculated on a full-time equivalent costs of students attending regional vocational-technical schools and the satellites of such schools, the number of full-time equivalent students in these programs from the districts, and the share ratio for the districts. Because the entitlements were based on the number of full-time equivalent students from the district attending area vocational schools, higher attendance resulted in more state support. Also, because the entitlements were based on the share ratio for the district, poorer districts received proportionately more state assistance than did more wealthy districts. Thus, the program was designed to both promote the area vocational schools and to equalize state support for the program.

No district received a combined entitlement under this program and state operations aid for vocational-technical students that exceeded the actual expenditures made for these students.

Beginning in 1990, the incentive program was eliminated and all costs associated with vocational training at the area vocational technical centers are now reimbursed under a separate vocational education aid program. The new program provides for 100% reimbursement of these vocational costs which are no longer reimbursed under operations aid. Under the new program, each district's entitlement is based on the per pupil cost of vocational training for each locally operated center times the full-time equivalent of students attending that center. If in any given year the appropriation does not equal the total statewide entitlement, each district is ratably reduced.

Features of Vocational Education Funding:

- Based the cost of vocational skill training at locally operated area vocational technical centers.
- Users a 2-year reference, e.g., the 1992 state share of educational expenditures is based on 1990 local expenditures.
- District entitlement is equal to the per pupil cost of vocational instruction at each area center times the full-time equivalent for students attending that center.
- Legislation provides for up to 100% funding.
- If the state level appropriation is less than the total statewide entitlement, each district's entitlement is ratably reduced.

School Housing Program

School Housing Aid Program. The General Assembly amended the school housing law in 1981, the first time any changes had been made since its passage in 1960. These changes were accepted to make the housing law more consistent with the operations law and with the needs of the time. Only new projects (those initiated after July, 1982) are eligible for reimbursement under the revised system and all existing projects will be completed under the previous housing law requirements.

To make the housing law more equitable, a share ratio calculation similar to that in the operations aid formula was introduced, the assessed valuations were modified by median family income, and the membership pupil counts redefined to include kindergarten pupils. Other new features were incentive bonuses for energy conservation and handicap access projects; synchronization between project reimbursement and lifetime of the bond; and renovation and rehabilitation projects, as well as new capital developments. Housing aid also provides bonuses for regional school districts.

In 1989, the General Assembly again amended the housing aid law to include bond interest payments as reimbursable expenditures. This provision pertains only to bonds issued on or after July 1, 1988 (FY 89), and aid on bond interest commenced in FY 91.

Features of the School Housing Aid Program:

- Districts are funded based on the total cost of bonded projects over the term of the bond with the average state share at 38%.
- Uses a 1-year reference for payment, e.g., the 1992 allocations are based on 1991 expenditures. Uses a 2-year reference for formula factors, e.g., the 1992 allocations are calculated based on 1990 wealth and enrollment levels.
- Is based on district's ability to pay which is determined by comparing the wealth of the district to that of the state as a whole.
- Housing share ratios differ from operations aid because transportation and the minimum per pupil expenditure are not factors in the formula.
- Minimum share ratio for a district is 30%.
- A 4% bonus is given for projects which can document that at least 75% of the total project costs are for energy conservation, asbestos removal, and/or handicapped access purposes.
- Regional districts receive a 2% bonus for each regionalized grade for new construction projects and an additional 4% bonus for renovation projects.
- Includes a debt service adjustment for heavily burdened districts.
- Beginning in FY 1991, bond interest payments are included as reimbursable expenditures along with other project costs for bonds issued on or before July 1, 1988 (Fiscal Year, 1989).

The Formula:

$$S = [1 - .62\,(\text{ewav}/\text{radm})/(\text{EWAV}/\text{RADM})] \times \text{Expenditures}$$

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Non-public school pupil counts are included in the calculation of basic support where they increased the state share ratio.

XII. PREKINDERGARTEN EDUCATION

Information not available.

XIII. LOCAL SCHOOL REVENUE

Information not available.

XIV. TAX AND SPENDING LIMITS

Information not available.

XV. EARMARKED STATE REVENUE

Information not available.

SOUTH CAROLINA

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Additional Information Provided by the
South Carolina Department of Education

I. GENERAL BACKGROUND

State

- The state share of state and local revenues for education have declined from 53% in 1981-82 to 50.6% in 1989-90.
- The Education Finance Act of 1977 (Act 163) developed a weighting system designed to equitably distribute funds among districts based on student need. The EFA guarantees a 70% statewide match with 30% school district dollars to fund the cost of the Defined Minimum Program in the entire state.
- The Education Improvement Act of 1984 is a comprehensive education reform plan aimed at improving public education.
- Equalization for spending on education continues to be an issue in South Carolina. Since 1977, variations have narrowed, but the predominately rural, black districts continue to spend less per pupil than the urban and suburban predominately white districts.

Local

- South Carolina has 91 regular school districts, a Youth Services district, and a Corrections district. Districts vary greatly in the extent of their fiscal dependence; some are independent, some rely on county councils, some on town meetings, some on referenda.
- Local districts may borrow for construction up to the amount equal to 8% of the assessed valuation of district property. Beyond 8%, districts must have a referendum approval.
- The amount of millage levied for current operations varies from 59 to 260; the millage levied for debt service ranges from 0 to 74.

Funding Summary, 1990-91 [1]

Total State School Aid (All Programs)		$1,370 million
Grants in Aid	1,127 million	
Teacher Retirement Contributions	243 million	
FICA	Included in teacher retirement	
Total Local Tax Revenue		1,130 million
Total Combined State and Local School Revenue		2,500 million
State Financed Property Tax Credits		
Attributable to School Taxes	0	

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[1] The amounts shown in the funding summary are estimated based on information provided by the author and the South Carolina Department of Education.

II. THE BASIC SUPPORT PROGRAM

Education Finance Act of 1977 (Act 163)

Funding in 1990-91: $798.3 million (58.2% of total state school aid)

Nature of Program: Foundation program.

Units: Pupils. Weighted Average Daily Membership

Local Fiscal Capacity: Equalized assessed property valuation. Each district has an index of taxpaying ability, which is its relative fiscal capacity compared to that of all other districts of the state, based on the full market value of all taxable property in the district.

How Formula Operates: The Education Finance Act aim is to provide every public school student an equal educational opportunity in terms of financial support, while setting a uniform balance of fiscal responsibility between the state (70%) and the districts (30%). The General Assembly annually sets the base student cost (BSC) as the funding level required to provide the minimum education program to the most economically educated pupil. The 1990-91 BSC is $1,539.08. Each district must maintain records of the 135-day average daily membership (ADM) for each of the 14 classifications of students given cost factors, or weightings, to impact on a district's costs and state aid.

The allocation formula:

State Aid = (District weighted ADM x BSC) - (State weighted ADM x BSC x Index x .3)

State Share: The amount of aid the state provides is the difference between the total cost for the district to provide the foundation program minus the district's required local support.

Local Share: The amount of local support the district is required to provide is determined by computing the total statewide collective local share (approximately 30%) of the cost of the foundation program multiplied by the district's index of taxpaying ability.

To qualify for its state appropriations, each district must spend 85% of the state aid in direct and indirect aid to the specific program or classification for which it qualified for aid. Further, each district is required to pay each certified teacher or administrator an annual salary in accordance with the statewide Minimum Salary Schedule.

Weighting by Grade Level:

Classification	*Weight*
Kindergarten	1.30
Primary	1.24
Elementary	1.00
High School	1.25
Educable Mentally Handicapped	1.74
Learning Disabilities	1.74
Trainable Mentally Handicapped	2.04
Emotionally Handicapped	2.04
Orthopedically Handicapped	2.04
Visually Handicapped	2.57
Hearing Handicapped	2.57
Speech Handicapped	1.90
Homebound	2.10
Vocational (3 levels)	1.29
Home-Instructed	.25

Kindergarten is reduced to .65 for funding, since the state will fund only a half-day program.

Adjustments for Special Factors: None.

Districts Off Formula: None.

III. TRANSPORTATION

School Bus Drivers' Salary

Funding in 1990-91: $28 million (2.0% of total state school aid)

Description: The state reimburses districts for school bus drivers' salary expenses.

State Share: The state pays 100% of the costs.

Handicapped Transportation Bus Drivers' Aides

Funding in 1990-91: $0.2 million (less than 1.0% of total state school aid)

Description: Funds are allocated to districts to defray the cost associated with the transportation of handicapped students.

IV. CAPITAL OUTLAY AND DEBT SERVICE

State School Building Fund

Funding in 1990-91: $17.8 million (1.3% of total state school aid)

Description: Funds are allocated based on a per pupil allocation of $30 per student and $15 per Kindergarten student. Funds are received by school districts for the following purposes: (1) capital improvements as defined in Section 59-21-310 of the South Carolina Code of Laws, and (2) retiring of debt principal, interest, and related fees.

School Building Aid

Funding in 1990-91: $2 million (less than 1.0% of total state school aid)

Description: Funds are available for 2 purposes: (1) renovations, capital improvement, or repair of school facilities; (2) reduction of millage required to pay principal and interest on bonds issued for any capital improvement program. To qualify for funds, districts must maintain a required financial effort per pupil for non-capital programs and must follow state Procurement Code guidelines.

V. TEACHER RETIREMENT

Funding in 1990-91: $243.2 million (17.8% of total state school aid)

Description: Funds are allocated to districts to help cover the employer portion of state retirement, group life insurance, social security, and health insurance for public school employees.

State and Local Shares: A district's allocation is equal to:

(Prior Year District WADM / Prior Year State WADM) x Funds Available

VI. SPECIAL EDUCATION

Special Education is funded through the EFA by use of pupil weightings.

VII. COMPENSATORY EDUCATION

Basic Skills Compensatory and Remedial Instructions

Funding in 1990-91: $64.1 million (4.7% of total state school aid)

Description: The State Board of Education provides pro-rata matching funds to districts with pupils failing to meet statewide minimum standards in reading, writing, and mathematics or who do not meet the first grade readiness test standards. To be eligible, districts must serve 100% of its students needing compensatory education, and districts must provide 135-day programs. Four categories of students qualify for compensatory education: (1) 11th-grade students who fail at least one test in the required state exit exam for a diploma, (2) Elementary students who score below the 25th percentile on the basic skills test, (3) Students in grades 7-12 who score below the 25th percentile on the basic skills test, (4) Students in grades 2-6 who score between the 25th and 49th percentiles on the basic skills test.

Adult Education Remedial

Funding in 1990-91: $1 million (less than 1.0% of total state school aid)

Description: Remedial adult education is restricted to reading, writing, and math. Funds are allocated based on the number of Adult Education remedial students served times $175.44.

VIII. GIFTED AND TALENTED EDUCATION

Gifted and Talented

Funding in 1990-91: $21.4 million (1.6% of total state school aid)

Description: Funds are provided to districts for programs to provide programs for gifted and talented students in grades 3-12. Gifted or talented students are identified as possessing demonstrated or potential abilities for high performance in academic or artistic areas and therefore who are in need of services or programs outside the purview of the regular school program. Where funds are insufficient to serve all students, the district may determine which students shall be served.

Advanced Placement Courses

Funding in 1990-91: $1.7 million (less than 1.0% of total state school aid)

Description: Each school district is required to provide advanced placement courses in each school which enrolls an adequate number of academically talented students; schools whose student population cannot support such a program must provide at least one AP course through a cooperative agreement with another district or through independent study.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education Equipment

Funding in 1990-91: $8 million (less than 1.0% of total state school aid)

Description: Funds for vocational education equipment are determined on a competitive basis and on the recommendations of a Business-Industry Reading Panel. The priorities must be job preparatory and occupational proficiency programs.

Increase High School Diploma Requirements

Funding in 1990-91: $5.3 million (less than 1.0% of total state school aid)

Description: Graduation requirements were raised one additional unit each for science and math. Students are also now required to pass four academic courses for interscholastic activities eligibility. The Board of Education also decreased allowable student absences and increased the instructional day to at least 6 hours excluding lunch for secondary students and at least 6 hours including lunch for elementary students. The State reimburses some of the costs of the salaries and corresponding employee benefits for teachers who must be hired to fulfill the new objectives.

Critical Teaching Needs

Funding in 1990-91: $1 million (less than 1.0% of total state school aid)

Description: Funds are allocated to districts to improve mathematics, science, reading, and computer instruction at the elementary, middle, and secondary levels. Districts may conduct courses for certificate renewal or may contract with colleges to offer the prescribed courses.

Handicapped Student Services (Trainable & Profoundly)

Funding in 1990-91: $3.3 million (less than 1.0% of total state school aid)

Description: These funds are available for direct services to trainable and profoundly mentally handicapped pupils. The district allocation is for its proportion of the state trainable mentally handicapped students, as a percent of the funds available.

Child Development

Funding in 1990-91: $1.7 million (less than 1.0% of total state school aid)

Description: The Child Development program is required as an instructional support for child development in a home-based or center-based environment. A home-based program is one that seeks to enhance the child's development through parent participation in a learning process involving information about children for parents, activities with children, or a combination of both. A center-based program is one that seeks to enhance the child's development in a school setting using a comprehensive curriculum.

Teacher Salary Increase

Funding in 1990-91: $86.7 million (6.3% of total state school aid)

Description: School districts are required to maintain local salary supplements per teacher, no less than their prior year level. Teacher pay raises, through adjustments in the state's minimum salary schedule, shall be provided only to qualified teachers, as determined by certification or test scores on appropriate teacher exams. Entitlement for each full-time eligible certified staff member is calculated by multiplying the prior year state minimum salary times .0985.

School Employer Contributions

Funding in 1990-91: $14.1 million (1.0% of total state school aid)

Description: These funds are to help districts pay the employer contributions of the teacher salary increases. The district allocation is calculated by multiplying its teacher salary increase allocation by the fringe benefit percentage factor.

Adult Education

Funding in 1990-91: $2 million (less than 1.0% of total state school aid)

Description: Funds are available to adult education programs in local school districts to provide academic services to adults who want a basic education, to prepare for the Tests of General Educational Development, to develop skills, or to complete the requirements of a high school diploma. Funds must be spent according to the Office of Adult Education's financial formula, limiting the allowable expenses of salaries, materials, and other costs. Funds are allocated on a per-student basis as equal proportions of $2 million.

Principal Incentive Program

Funding in 1990-91: $1.5 million (less than 1.0% of total state school aid)

Description: Each district receives funds for both incentive awards and operating costs. Awards to principals must be between $2,500 and $5,000; minimum total allocation to a district is $6,000, with the minimum allocation for operations being $1,000. Unexpended operations funds may be reverted back to the award portion, but any unexpended funds by the end of the fiscal year must revert back to the State.

Teacher Incentive Program

Funding in 1990-91: $21.5 million (1.6% of total state school aid)

Description: These funds establish an incentive program to reward teachers who demonstrate superior performance and productivity. Similar to the principal incentive program, the monies are distributed as incentive awards and as operating costs.

In-Service Teacher Training

Funding in 1990-91: $1.2 million (less than 1.0% of total state school aid)

Description: The State Department of Education has developed in-service training programs for teachers based on the findings and research derived from classrooms. Programs are used for three activities: (1) To implement the Program for Effective Teaching, (2) To implement other models approved after June 1985, and (3) To conduct staff in-service activities based on the research of effective classrooms and schools. Funds are distributed to districts according to each district's share of the statewide second preceding year ADM.

Pathways Coordinator Salary

Funding in 1990-91: $1.2 million (less than 1.0% of total state school aid)

Description: Each district receives $13,187 to pay a salary and fringe benefits to a Pathways Coordinator to assist teachers with paperwork.

Principal's Salary & Fringe Increase

Funding in 1990-91: $2.6 million (less than 1.0% of total state school aid)

Description: Funds are allocated to districts to supplement their salary expenditures for school principals and assistant principals, including related employee benefits. Funds are distributed to districts according to each district's share of the statewide second preceding year ADM.

School Incentive Reward Program

Funding in 1990-91: $5 million (less than 1.0% of total state school aid)

Description: This program provides incentives to schools, area vocational centers, and districts that demonstrate exceptional performance and meet achievement gain criteria. Funds are distributed on a per-pupil basis and may be used to implement improvement in the instructional program and in areas of need identified in the School Improvement Plan. At the end of the funding period, unexpended funds must revert back to the State Department of Education.

Dropout Prevention

Funding in 1990-91: $4.6 million (less than 1.0% of total state school aid)

Description: This is the second of three years of pilot-testing this competitive grant program aimed at increasing the likelihood that children at risk of dropping out will remain in school. The maximum grant to a school is $124,098; the maximum grant to a district is $372,295.

School Innovation

Funding in 1990-91: $2.7 million (less than 1.0% of total state school aid)

Description: These are competitive planning and implementation grants established to encourage the implementation of innovative and comprehensive approaches for improving student development, performance, and attendance. Planning grants are limited to $5,000; implementation grants are limited to $90,000 for a three-year period.

Arts in Education

Funding in 1990-91: $1.2 million (less than 1.0% of total state school aid)

Description: Competitive planning and implementation grants are available to support efforts to develop arts curricula at the school- or district-level. The intent of the program is to promote the development of curricula in all four of the art areas (visual arts, music, dance, and drama). Funds are restricted to (1) plan, develop, and implement discipline-based arts education curricula; (2) provide teacher in-service training programs for arts specialists; and (3) hire certified arts specialists or contract with professional artists approved by the South Carolina Arts Commission.

Day Care Centers

Funding in 1990-91: $1.4 million (less than 1.0% of total state school aid)

Description: Competitive guidelines enable districts to compete for funds to establish day care centers and provide instructional support through center-based programs.

Other Funded Programs

Description: High School Exit Exam ($5,000), Assist Teachers with Paperwork ($232,000), Competitive Teacher Grants ($720,000), Tuition Reimbursement for Teachers ($910,000), Administrator Apprenticeships ($743,000), Competitive School Grants ($720,000), Effective Partnerships ($156,000), Higher Order Thinking Skills ($835,000), Nursing

Program ($707,000), 12-Month Agriculture Teachers ($560,000), Handicapped Transportation ($187,000), School Lunch Supervisors' Salary ($623,000), Attendance Supervisors' Salary ($623,000).

XI. STATE AID TO PRIVATE K-12 SCHOOLS

Information not available.

XII. PREKINDERGARTEN EDUCATION

Early Childhood Program

Funding 1990-91: $11.9 million (less than 1.0% of total state school aid)

Description: School districts must develop and implement a one-half day early childhood program for 4-year-olds who may have indicated significant readiness deficiencies. Districts may contract with appropriate groups and agencies to provide part or all of the programs, and the programs must be developed in consultation with the Interagency Coordinating Council on Early Childhood Development and Education.

Parent Education

Funding in 1990-91: $1.7 million (less than 1.0% of total state school aid)

Description: Each school district selected for pilot testing of this five-part program receives a grant not to exceed $92,488. The required services are: (1) recruitment of parents or guardians whose children to age 5 are at risk of school failure; (2) developmental screening for children; (3) adult education for parents who do not possess a high school diploma or equivalent; (4) support of parents' role as the child's first and most important teachers; and (5) evaluation of program effectiveness.

XIII. LOCAL SCHOOL REVENUE

Property tax is the only source of revenue available to districts.

Local districts can borrow monies equal to 8% of the assessed valuation of property in the district for construction. Any amount beyond the 8% must be approved through a local referendum. The assessed valuation of property ranges from 4% to 10.5% of real value based on the type of property. The amount of millage levied for current operations varies from a high of 260 mills to a low of 59 mills and for debt service from 0 mills to 74 mills.

XIV. TAX AND SPENDING LIMITS

The Education Improvement Act does require that each district raise its local tax revenue effort on a per-pupil basis by not less than the annual inflation factor.

XV. EARMARKED STATE REVENUE

One cent of the sales tax is earmarked for the Education Improvement Act Fund, which funds most of the categorized programs listed above.

SOUTH DAKOTA

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I. GENERAL BACKGROUND

State

- The current state aid formula has its roots in the formula passed by the 1986 Legislature (Senate Bill 155). The formula for the 1986 state aid version was state aid equals general fund expenditures minus various revenues minus local effort. The 1986 version used a complex formula for calculating local effort. In 1990, the Legislature passed House Bill 1090 which simplified the complex local effort formula which in turn greatly simplified the state aid formula. The 1990 law change retained the same formula.

Local

- South Dakota contains 183 K-12 school districts, with an average daily membership (ADM) of 127,147 students. Not including capital outlay or debt service funds, total expenditures of the 183 school districts are $446.2 million. Of that amount, 58.9% of the expenditures are instructional. On the revenue side, 49.3% of the districts' revenue comes from the property tax, 9.3% from other local sources, 26.7% from state sources, 8.9% from federal sources, and 5.8% from other financing sources (mostly operating transfers).
- There is considerable diversity in the size of school districts in South Dakota. The largest 2 school districts in the state have an ADM of 15,524 and 13,508, with general fund expenditures of $46.3 million and $38.4 million, respectively. The largest 15 school districts in the state account for 50.9% of the ADM, with the remaining 168 school districts accounting for 49.1% of the ADM.
- Low teacher salaries continue to be a point of discussion in South Dakota. Depending upon the year and the study, South Dakota ranks between 45th and 50th in teacher salaries. For the 1990-91 school year, the average salary of the 8,365 teachers was $22,376.

Funding Summary, 1990-91

Total State Aid (All Programs)		$142 million
Grants in Aid	142 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue*		304 million
Total Combined State and Local School Revenue		446 million
State Financed Property Tax Credits Attributable to School Taxes	NA	

* Based on estimates from section I — General Background. Local tax revenue information was not provided.

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $60.8 million (42.8% of total state school aid)

Nature of Program: Foundation. Reimbursement type formula.

Units: None. The formula is expenditure driven and not based on units.

Local Fiscal Capacity: Assessed property valuation plus other revenues.

How Formula Operates: The formula for distributing general state aid to school districts is found in SDCL 13-13. South Dakota's formula for providing state aid to local school districts has 2 major characteristics. First, the formula is a reimbursement-type formula. Expenditure data from 2 years prior is used to determine the amount of state aid that is received by a school district. For example, data from the 1990-91 school year is used to determine the state aid distribution for the 1992-93 school year. Second, the formula is expenditure driven; the more a school district spends, the more will be the state aid to that school district.

The amount of state aid a district receives is equal to:

$$SA = GFEXP - REV - LE$$

where:
SA = the amount of state aid to the district
GFEXP = the district general fund expenditures
REV = various district revenues
LE = district local effort.

With the formula in mind, the following is a detailed look at each side of the formula.

1. "SA" is the amount of state aid received by a school district in a particular school year.

2. "GFEXP" is a school district's general fund expenditures for the school fiscal year 2 years prior to the year for which state aid is distributed. In addition to the actual general fund expenditures, GFEXP also includes depreciation on vehicles owned by the district for the purpose of public transportation and depreciation of advanced technology equipment (see SDCL 13-13-37.1). Also included in GFEXP is any money transferred out of the general fund into the special education fund that is expended on a special education program, but not included in reimbursable special education costs. There is a separate formula for reimbursement of special education costs.

3. "REV" includes money received by a school district's general fund from miscellaneous sources such as interest earnings, athletic receipts, federal sources, and several types of financial assistance from state or other local governments.

4. "LE" is an amount that the formula calculates for each district's formula tax effort. This is referred to as local effort. This amount does not determine local taxes, it determines local effort for purposes of the formula only. LE is determined according to the following steps:

a. determine the market value for all agricultural property in the school district;

b. determine the market value for all non-agricultural property in the school district;

c. determine the average statewide tax rates for agricultural and non-agricultural property by solving the following 2 equations for AR and NAR:

$$AR \times AV + NAR \times NAV = TAXES$$

$$2 \times AR - 0.0048 = NAR$$

where: AR is an unknown, the statewide average tax rate on agricultural property;

AV is the market value of agricultural property in the state;

NAR is an unknown, the state-wide average tax rate on non-agricultural property;

NAV is the market value of non-agricultural property in the state;

TAXES is the total amount of school general fund property taxes raised;

d. add a constant to AR as computed in step (c) so that when AR plus the constant multiplied times the market value for agricultural property and the corresponding value for NAR is multiplied times the market value for non-agricultural property, the formula will generate a value of SA for all school districts equal to the amount of money appropriated by the Legislature for distribution through the formula.

To summarize, state aid is determined by the formula SA = GFEXP - REV - LE. GFEXP and REV are fixed amounts, so therefore, when adding the formula for all school districts, the only way in which the right hand side of the formula can be made equal to the amount of money appropriated by the Legislature is to adjust the level of local effort (LE).

State Share: See formula

Local Share: See formula

Weighting by Grade Level: None

Adjustments for Special Factors:

1. Reorganization/Contracting Incentive Grants. The state provides financial incentives out of general aid monies to small school districts to dissolve and merge with other school districts. The state will pay the full tuition rate to the newly created school district (approximately $4,240 per student) for the first year and one-half that amount for the second and third years following reorganization. This incentive can be applied to a maximum of 125 students. This applies only to secondary students. The state provides a similar incentive to school districts that close their secondary school and contract their secondary students to surrounding school districts.

2. Rural Attendance Centers. Portions of western South Dakota are very sparsely populated. Typically, a family will operate a large cattle ranch many miles from the nearest city school. To accommodate students living in these sparsely populated areas, the school district will operate a 1 or 2 teacher rural attendance center. These rural attendance centers are expensive to operate, so the Legislature has provided a $10,000 grant (out of money appropriated for the formula) per rural attendance center, after the first 2, that is operated by a school district. This grant is being phased out so that the grant is $7,500 in the 92-93 school year, $5,000 in the 93-94 school year, and no grant in the 94-95 school year.

3. Holdharmless. For a number of years, the Legislature has protected school districts that lose money from the state aid formula from one year to the next. Most typically, the Legislature has provided a 90% holdharmless. A school district is always guaranteed at least 90% of the amount of aid received in a previous year. The 1991 Legislature provided for a phase-out of the holdharmless. The schedule enacted was: for fiscal year 1992 at least 100% of the amount received in fiscal year 1991; for fiscal year 1993 at least 75% of the amount received in fiscal year 1991; for fiscal year 1994 at least 50% of the amount received in fiscal year 1991. After fiscal year 1994, there is no holdharmless.

Districts Off Formula: Not available.

III. TRANSPORTATION

Transportation expenditures are included in the basic support and special education support formulas.

VI. CAPITAL OUTLAY AND DEBT SERVICE

No state aid is provided for capital outlay or debt service.

V. TEACHER RETIREMENT

Information not available. See Section X — State Aid for Salaries and Benefits.

VI. SPECIAL EDUCATION

Funding in 1990-91: $20.4 million (14.3% of total state school aid)

Description: South Dakota's method of distributing state aid for special education follows the same philosophy as the method for distributing general state aid to education. That is, the special education formula is a reimbursement-type formula and the formula is expenditure driven. The formula for a school district's state aid for special education is as follows:

$$SEA = SEEXP - (0.007 \times V)$$

where: SEA is the amount of state aid for special education.

SEEXP is the amount of allowable expenditure by a school district on its special education program. Allowable expenditures include instructional and support expenditures, but do not include administrative or capital expenditures.

V is the taxable value of property in the school district. If the Legislature does not appropriate the exact amount of money called for by the formula, the shortfall or excess is prorated between the school districts.

State and Local Shares: School districts spend $50.2 million on special education. Of that amount, 52.3% is instructional. On the revenue side, 28.3% of the special education fund revenue comes from the property tax, 3.2% from the other local sources, 45.4% from state sources, 15.5% from federal sources, and 7.6% from other sources.

The property tax base for the school districts' special education levy is $19.7 billion (the differential tax rates for agricultural and non-agricultural property apply only to the general fund levy; for the special education levy, the tax rates are the same). The maximum levy is an effective tax rate of 1.2% or $1.20 per $1,000 of taxable valuation.

VII. COMPENSATORY EDUCATION

In South Dakota, compensatory education is not funded or required. The federally funded Chapter I program is awarded by county by number of students and each school district applies for their allocation. A school district may choose not to participate. Federal funds allocated to a non-participating district are redistributed to other districts for special projects.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $1.2 million (less than 1.0% of total state school aid)

Description: School districts are entitled to reimbursement of 50% of their expenditures on allowable gifted education costs (SDCL 13-33-15). If the appropriated amount of funds is not sufficient to reimburse the school districts then each school district is reimbursed on a pro rata basis.

IX. BILINGUAL EDUCATION

The state does not support a program of bilingual education. The school districts apply directly to the U.S. Department of Education for funding of projects.

X. OTHER CATEGORICAL PROGRAMS

Auxiliary Placement

Funding in 1990-91: $3.0 million (2.1% of total state school aid)

Description: These funds are used to pay tuition expenses of minors under the care and custody of the Department of Social Services, the Unified Judicial System, the Department of Human Services, the Department of Corrections, county welfare, Bureau of Indian Affairs, or licensed voluntary agencies if the children reside in non-profit institutions and attend educational programs approved by the Department of Education and Cultural Affairs. The programs can be elementary, secondary, or special education in nature. The various agencies compile their needs based on the number of children assigned to them and refer to the Department of Education and Cultural Affairs for the funding.

Vocational Education

Funding in 1990-91: $10.5 million (7.4% of total state school aid)

Description: South Dakota reimburses school districts, the 4 area vocational technical institutes, and the State Penitentiary for the approved costs of running vocational programs. State appropriations are used in conjunction with federal funds. The Board of Education approves the programs offered at the many locations, then the total state appropriation is divided among the various entities. Of the $10.5 million appropriation, secondary vocational education received $7.5 million and post-secondary vocational education received $3.0 million.

Three-Day Curriculum and Staff Development

Funding in 1990-91: $2.0 million (1.4% of total state school aid).

Description: South Dakota provides this funding for teacher workshops prior to the start of the school year. School districts aren't required to pay the teachers in a lump sum. A few districts spread the $225 per teacher over the course of the school year. Only full time teachers, librarians and counselors are entitled to this funding.

State Aid for Salaries and Benefits

Funding in 1990-91: $15.8 million (11.1% of total state school aid).

Description: State aid for salaries and benefits is distributed to school districts according to SDCL 13-13-53 and SDCL 13-13-53.1. These 2 sections divide the $15.8 million into 2 sums; $6.1 million which was the amount appropriated in FY 1990, and $9.7 million which is the increase from FY 1990 to FY 1991. The $6.1 is distributed on a pro rata basis according to each district's share of salaries and benefits. The $9.7 million is distributed on a pro rata basis according to each district's share of certified classroom teachers, guidance counselors, and librarians.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Information not available.

XIII. LOCAL SCHOOL REVENUE

The property tax base for the school districts is estimated at $7.7 billion of agricultural property and $12.0 billion of non-agricultural property. For the general fund, the school districts may levy up to a maximum effective tax rate of 1.44% on agricultural property and 2.4% on non-agricultural property (the tax rates are the same for the first 0.48%, and at that point the rate on non-agricultural property increases at twice the rate of agricultural property until the maximums of 1.44% and 2.4% are reached). Other maximum levies are 0.12% for special education and 0.3% for capital outlay. Note: South Dakota's statutes define levies in terms of $1,000 of assessed valuation, so for example, one would find the maximum general fund levy on agricultural property to be $14.40 per $1,000 of assessed valuation.

XIV. TAX AND SPENDING LIMITS

See Section XIII — Local School Revenue.

XV. EARMARKED REVENUE

None.

TENNESSEE

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I. GENERAL BACKGROUND

State

- At present, the state share of revenues for K-12 education is approximately 45%, the local share 45%, and federal sources account for about 10%. The state contribution has been steadily declining. In 1986-87, the state provided 52% of the state-local revenues for public schools. *For the 1992-93 school year, partial implementation of a new funding formula, the Basic Education Program, which is part of the Education Improvement Act of 1992, would, theoretically, provide a higher percentage of actual expenditures provided by state funding (i.e. 75% for the classroom component and 50% for the nonclassroom component). Actually, the legislature underfunded the BEP, so the level of funding may not have improved substantially.*

- Funds for the public schools come from 2 primary sources: state and local sales taxes and local property taxes. The state relies almost entirely on sales tax revenues to fund all state activities.

- The Tennessee Education Finance Act of 1977 made important changes in the method of school finance in Tennessee and established the Tennessee Foundation Program (TFP) which was first implemented during the 1978-79 school year.

- *In March, 1992, the Education Improvement Act (EIA) of 1992 was enacted and signed by the governor. The EIA is a comprehensive reform act which includes among its provisions a large piece of legislation focused on finance called the Basic Education Program (BEP). Provisions of the BEP are cited throughout the chapter to help you see the direction of education finance in Tennessee. While the BEP establishes a number of innovations in Tennessee funding, such as bringing categorical funding for such things as transportation and capital outlay under formula and taking a giant step toward true funding equalization, it was accompanied by a revenue act (a half-cent increase in the sales tax for 1 year) which appears to continue the legislative under-funding of education into the future.*

- On July 8, 1988, a lawsuit was filed against the state by the Tennessee Small School Systems (TSSS). The plaintiffs charged that because of inequities in funding the state has failed to provide equal protection of the law to small rural districts, and asked the court to declare the Tennessee Foundation Program (TFP) unconstitutional, to enjoin defendants from acting under the current TFP statutes, and to require that a constitutional education finance system be enacted by the legislature. Trial began on October 29, 1990, and testimony was completed on December 6, 1990. Declaratory judgment was handed down by the trial court on July 25, 1991, holding that Tennessee school funding was not uniform, and was, therefore, in violation of the "equal protection" provisions in the Tennessee constitution. After a second hearing an order was filed on September 13, 1991, calling on the Legislature to meet its constitutional obligation by reforming school finance before June 30, 1992. Appeal was filed by the state in October of 1991 with the Court of Appeals, and on April 3, 1992, a three judge panel heard arguments on the issue. On June 5, 1992, the Court of Appeals, overruled the trial court saying, essentially, that the Tennessee Constitution contains no guarantee of uniformity, that education is not a fundamental right, and that educational funding is a purely legislative matter. The case is being appealed to the Tennessee Supreme Court.

- During fiscal 1990-91 there were no mid-year cutbacks, but in 1991-92 the state realized there would be a shortfall from the outset, so in the budgeting process they used the established base, but then cut the budgeted figures pro-rata to save $116.4 million. These reductions were devastating, particularly to the poorer districts. The TFP base amount has been unchanged since fiscal 1987-88, so that school funds have been eroded by inflation over several years. A half-cent increase in the state sales tax rate put into effect in April, 1992, will be used to restore the funding withheld during 1991-92, leaving an estimated $113 million to fund the BEP for 1992-93. Full funding for the BEP was estimated by the State Department of Education to require $ 564.1 million.

Local

- In 1990-91, there were 139 functioning city, county, and special school districts. School districts are fiscally dependent.
- Special school districts are created by private acts of the legislature enabling a group of citizens in a county to vote in the majority for the establishment of a school district that disregards city boundaries. There are 14 special school districts, most in rural county areas that may contain a small city. Although county and city school districts are not fiscally independent, special school districts may petition directly to the legislature for tax rate increases beyond those set in the act establishing the district.
- Property taxes and local sales tax revenue are the 2 major sources of local district tax revenues. Statewide over 28% of local revenue for education is derived from the local option sales taxes and over 48% comes from property taxes. Neither local property taxes nor local option sales tax revenues are equalized.
- Revenue collected by the county for educational purposes must be distributed on the basis of ADA to each school district within the county. For example, a growing county district needing funds for capital projects must share these funds with other districts in the county, thus requiring the county district to collect more money than is needed for its capital projects. Although the counties need not share taxes if collected only on property outside the city or special school districts few districts elect to use this approach since most of the commercial and industrial base is within city boundaries. City and special school districts may elect to raise taxes in their districts without having to share the proceeds with other districts in the county. The result of this unusual system of distributing funds is to provide city and special school districts in a particular county with more revenue per pupil than is available to the county district. Hence, there is essentially no legal limit to the amount of local funds that can be generated for education, and the distribution of local funds produces much of the disparity that exists between city, county, and special school districts.
- Except for the limit on the local sales tax rate, there is no maximum general purpose tax rate or levy in effect for local governments.
- The state does not set a debt limit.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$1,360 million
Grants in Aid	1,111 million	
Teacher Retirement Contributions	145 million	
FICA	104 million	
Total Local School Tax Revenue		1,117 million
Total Combined State and Local School Revenue		2,476 million
State Financed Property Tax Credits		2,477 million
Attributable to School Taxes	0	

II. THE BASIC SUPPORT PROGRAM

Tennessee Foundation Program

Funding in 1990-91: $878.5 million (64.6% of total state school aid)

Nature of Program: Minimum foundation program, known as the Tennessee Foundation Program (Tennessee Code Annotated 49-3-301,302, 303, 306).

In March of 1992, the Education Improvement Act of 1992 was passed. A new minimum foundation funding formula entitled the Basic Education Program (BEP) was approved. The formula uses minimum staffing ratios to fund K-12 public schools.

Units: Pupils. Average Daily Attendance (ADA). LEA's track ADA carefully for the first 3 months of school each fall, and TFP funding is based on the average of the highest 2 of those 3 months. The State Department of Education watches the ADA figures for consistency, and they are subject to audit. ADA figures are, of course, kept for the whole year as well, and reported to the State Department of Education which monitors them for consistency.

The new BEP calculates funds based on average daily membership (ADM). Although the BEP will be based on the prior year's 10 month average ADM, it will be subject to adjustment in the current budget year if the Fall ADM varies more than 2% from the ADM used in budgeting.

Local Fiscal Capacity: Under the Tennessee Foundation Program the local contribution is equalized based only on the assessed property valuation.

Under the Basic Education Program the local contribution will be equalized based on: (1) The per-pupil sales tax base; (2) The per-pupil equalized property assessment; (3) Per capita money income; (4) The percent of the property tax base that is homes and farms; (5) The service burden, or the percent of the pupil population that is served by the public schools.

How Formula Operates: The funding formula for Tennessee schools since 1978 has been a minimum foundation program determined by using the full time equivalent (FTE) of average daily attendance (ADA) that is weighted (W) for various programs of regular and vocational students (WFTEADA), with a special education supplement based on the previous year's identified and served (I&S) students. The base amount per student has been set annually by the State Board of Education using this formula:

$$\text{Base} = SA / TE(RV+IS)$$

where:
SA = state appropriations for education
TE = the state's teacher training and experience factor
RV = the sum of the WFTEADA of regular and vocational programs
IS = the identified and served special education students

Programs and cost differential for each program in regular, vocational, and special education were established yearly by the State Board of Education relative to the base amount (Tennessee Code Annotated 49-3-306) which has been a critical variable. The base amount used in the TFP formula in 1990-91 was $569.76. Although most programs and cost differentials have not changed substantially since 1978, additional special education programs with high cost differentials have been added. The base amount for 1991-92 remains unchanged at $569.76 with no changes in cost differentials.

The new BEP has 2 parts, a classroom (or pupil contact) component, and a nonclassroom component.

State Share: LEA's prepare a budget based on the TFP formula using the base amount determined by the State Department of Education based on the legislative appropriation. The WFTEADA for each district multiplied by the base establishes the total educational "need" for each LEA. After the TFP funds are calculated, the state funds 92.5% of the need. The LEA's make up the difference locally. (Tennessee Code Annotated, 1991, 49-3-306). The State Department of Education monitors the local contribution by receiving reports from LEA's. There is no equalization under the TFP of the state portion based on the LEA's fiscal capacity. There will be equalization, however, under the

BEP related not to fiscal capacity, but to the ability of the local district to raise revenue based on a state average established by the State Department of Education.

The classroom component of the BEP is similar to the TFP formula and will be funded 75% by the state and 25% by local districts. The nonclassroom component will be funded 50% by the state and 50% by the local school district. This component includes central office functions, plant operation and maintenance, pupil transportation, and capital outlay. The local contribution will be equalized using the factors listed above.

Schedule of Payments: State funds are released to the State Department of Education and re-released to the LEA's on this schedule (T.C.A 49-3-314).

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
TFP, 10% on		15	15	15	15	15	15	15	15	15		15*
Trans, 10% on		15	15	15	15	15	15	15	15	15		15*
Texts, 100% on		15										
Cap.Out, 25% on		15					15		50% on 15			
Leave, 100% on												20

* Final payment may depend upon completion of state required documentation.

Local Share: Local districts contribute 7.5% collectively. The determination of an individual district's required share of the statewide TFP (7.5% collectively) is the product of the local district taxpaying ability (expressed as a percentage) and the total state TFP. Local tax paying ability is determined, according to statute law (Tennessee Code Annotated, 1991, 49-3-307), by dividing the adjusted county property value by the adjusted state property value. Adjusted county property value is the sum of total assessed valuation of real property and equalized public utility assessed value. Real property values are equalized by applying a yearly appraisal ratio determined by the state board of equalization, and the TFP makes an attempt to equalize property values among districts.

The BEP includes an index of fiscal capacity that will be used by the state to calculate an amount the state will contribute toward the local district's 25% (classroom component) and 50% (nonclassroom component) contributions. This indexing by fiscal capacity introduces true equalization into the formula.

Weighting by Grade Level and Program: For the TFP cost differentials (FTEADA weightings) for the various programs are as follows:

Regular Academic — Total State Contribution, $695.7 Million

Grade	*Weight*
Special Education Options 7, 8, and 9	0.030
Grades K-3	1.287
Grade 4	1.137
Grades 5-6	1.037
Grades 7-8	1.137
Grade 9	1.261
Grades 10-12	1.371

Vocational Education — Total State Contribution, $ 55.6 Million

Classification	*Weight*
Agricultural Programs, 10 Month	1.880
Agricultural Programs, 12 Month	2.270
Home Economics	1.830
Health Occupations	1.830
Trade / Industry	2.140
Technology Education	1.500

Office Occupations	1.770
Marketing Education	1.770
Technology Preparation	1.770

Special Education — Total State Contribution, $ 127.1 Million

Classification Option	*Weight*
Consulting, Direct & Related	0.378
Direct Instructional Services	0.474
Resource Program — 4-8 Hrs.	0.748
Resource Program — 9-13 Hrs.	1.352
Resource Program — 14-22 Hrs.	2.366
Ancillary — 4 Hrs. per Day	6.482
Comprehensive Development Class — Mainstream	3.550
CDC — Self Contained	6.436
Residential Program	19.448
Homebound / Hospital	3.854

Adjustments for Special Factors: A provision in Tennessee Code Annotated 49-3-308 provides that during each school year after July 1, 1977, each local school district shall receive in state school funds an amount not less than the amount of such funds which would be received by the school district during the 1977-78 school year. This funding guarantee is contingent upon the commissioner's determination that the education program of the local school district is being operated at no less than the same level as in the school year preceding July 1, 1977. *[Tennessee Code Annotated 49-3-335 (b) provides that TFP appropriations to local education agencies for the 1990-91 school year shall be a base, and no local education agency shall receive in subsequent years from the BEP a lesser amount of funds, adjusted for changes in student enrollment, than it received in the 1990-91 school year under the TFP].*

The number of districts benefiting from adjustments was zero in 1990-91. This provision (T.C.A. 49-3-308) simply established a floor for state funding that protected those districts that might actually receive reduced funding as a result of the transition from the old foundation program in existence in 1977 and the new TFP foundation program that went into effect in 1978. A similar floor using the 1990-91 fiscal year is included in the BEP legislation to protect those districts that might lose funding as a result of the transition from the TFP program to the BEP program in 1992. The BEP floor does not apply to changes in revenue resulting from changes in enrollment, however. Since the BEP, at least initially, will be an add-on to the TFP formula, it is not anticipated that the 1990-91 floor will need to be used.

Districts Off Formula: All LEA's participated in the TFP in 1990-91, and since none received less than the base year specified in the code, none were off-formula.

III. TRANSPORTATION

Funding in 1990-91: $20.8 million (1.5% of total state school aid)

Description: State financial assistance for transportation is supported by the state based on the preceding year total per-pupil ADA transported 1.5 miles or more. Sixty percent of total state transportation funding is apportioned based on the ADA of the preceding academic year. The remaining 40% is apportioned to the districts on a ratio of the geographical area of each county to the total state area, in square miles. All districts operating transportation services are provided financial assistance for transportation.

State and Local Shares: The state's share of the total expenditures for transportation was 22.6%. Local districts made up the difference ($71.0 million). The state's share of the total costs for transportation has decreased steadily since the TFP began in 1978.

Under the Education Improvement Act of 1992, transportation will be funded within the funding formulae. The state aggregated transportation costs will be funded at 50% by the state.

Extent of Participation: 117 districts provide pupil transportation; 11 districts buy transportation from adjoining districts; and 11 districts do not provide pupil transportation.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

Funding in 1990-91: $11.8 million (less than 1.0% of total state school aid)

Description: State aid for capital outlay is funded categorically based on the preceding year's ADA. It is not part of the TFP. State code (49-3-311) requires that the state set aside some funds exclusively for capital outlay projects, defined as the purchase and improvement of sites, the construction of buildings, the remodeling or renovation of buildings, the purchase of equipment for schools and school buildings, and the purchase of student transportation equipment. Although the state code indicates that the local portion of the state aggregated capital outlay program will be 42.5%, the state has severely underfunded capital outlay relative to this benchmark, and the LEA's have had to fund much more than this percent. The state has managed to underfund based on another stipulation in the code that states no county (including all LEA's therein) shall receive less for capital outlay than in 1950-51, nor more than in 1960-61.

To fund the local portion of capital outlay projects, LEA's may issue and sell bonds through the approval of the county legislative bodies. A majority of the members of the county legislative body may approve such an issue, termed "School Bonds". Funds accrued from the sale of school bonds are maintained by the trustee of the county, kept separate from general purpose funds, and applied exclusively for capital outlay projects. An interesting proviso of bond proceeds requires that county districts share bond revenues on an ADA basis with all school districts in the county, unless the bonds are issued solely for county high school capital outlay projects and the city or special school districts have no high schools. County districts may elect to tax property only outside city and/or special school districts to pay off principal and interest. However, this is seldom done since a county district property would be unlikely to produce sufficient revenues.

State and Local Shares: As mentioned above, the state has underfunded capital outlay projects, and the percentage funded by the state has steadily decreased since the TFP began in 1978. In 1990-91, the state provided 12.5% of the total capital outlay incurred by LEA's.

Under the Education Improvement Act of 1992, capital outlay will be funded within the funding formulae. The state aggregated costs for capital outlay will be funded at 50% by the state.

Extent of Participation: 138 of the 139 districts received some state funds for capital outlay. Two county districts do not have students, as all students are in either city or special school districts.

Other Debt Service

There are no provisions for other debt service other than the sale of bonds for capital outlay purposes. *The BEP extends bond funding to include funds for student financial aid.*

V. TEACHER RETIREMENT

Funding in 1990-91: $145.1 million (10.7% of total state school aid)

This amount is paid directly into the retirement fund, and is called by the State Department of Education a payment "made on behalf" of LEA's.

Definition: In Tennessee whenever the word "teacher" appears in the code it stands for all certificated personnel working in the public schools, unless the code specifies otherwise.

Description: Teachers participate either in the state retirement system known as the State of Tennessee Consolidated Retirement System (T.C.A. 8-37-402) or in 1 of 6, now closed, local retirement plans operated by the LEA's. These local plans were established (T.C.A. 49-5-901) before the state plan was changed to its current defined benefit format. All teachers entering service since 1977 participate in the state plan. The state plan provides retirement annuities to both state and local plan teachers. The annuity payment to the local plan teachers may be paid directly to the retired teacher, or be routed through the LEA plan.

Under provisions of the 1992 Education Improvement Act (Amendment to T.C.A 8-37-402), appropriations for increases in contributions to the Consolidated Retirement System will go to the State Department of Education for distribution to the LEA's under the Basic Education Program (BEP) formula, requiring the LEA's to transmit those amounts to the Retirement Fund. Note, however, that neither of the previous 2 acts are rescinded or discontinued, so there may be 3 distinct methods of funding retirement in existence.

State Share: The state contributes to the retirement system based on the recommendation of their consulting actuary. In 1990-91 (and in 1991-92) the state contributed 10.1% of an individual's salary, and the individual contributed 5%.

Local Share: The LEA's contribute nothing to the state retirement fund on behalf of teachers except for federally funded teachers where the federal dollars are routed through the LEA.

Extent of Participation: All districts participate.

VI. SPECIAL EDUCATION

Funding in 1990-91: $127.1 million (9.4% of total state school aid)

This allocation is included in the allocation for the Basic Support Program reported in Section II.

Description: Special education is included in the Tennessee Foundation Program formula. Identified and served handicapped students (I&S) are included in the appropriate regular academic and vocational education programs as provided in the rules and regulations. The special education cost differential is supplemental to the regular academic and vocational education programs and is based on the preceding year's I&S students. In addition, federal funds provided by the Individuals with Disabilities Education Act (IDEA) are supplemental to the basic education funds provided by the state. IDEA funds are based on the number of identified and served handicapped students on the first of December of the preceding year. Additional funds are also provided for special transportation of disabled students.

The BEP includes special education in its formula (the same as the TFP), based on weighted identified and served from the previous year.

State Share: During the 1990-91 school year, the state funding level for special education was 97.9%. This means that when calculating the TFP funds for special education, the amount calculated is only funded at the 97.9% level, whereas the regular and vocational programs are funded 100%.

For both the special education and gifted and talented programs, where the enrollment is based on I&S students rather than ADA students, the funding calculation begins with a student enumeration in the various categories in which they fit, the students in the category are weighted by the factor assigned to the category, then they are totaled with the Vocational Education (VE) students and the Regular Academic (RA) students at par, but with the Identified and Served (I&S) students reduced by a factor of 2.1%. Here is how the Total Weighted Enrollment (TWE) formula would look:

TWE = VEFTEADA + RAWFTEADA + (WI&S x .979)

Funding Need = State TFP Base Dollar Amount x TWE

State portion = 92.5% x Funding Need

The state funding contribution for special education in the BEP is to be based on special education needs.

Local Share: The local school district must fund the 2.1% of the TFP not provided by the state. In addition, the total TFP funds which include special education are funded 92.5% by the state and 7.5% collectively by the local school districts.

Extent of Participation: All 139 school districts receive special education funds.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: Included in the calculation of special education TFP funds by option and not separated by category.

Description: The education of gifted and talented students is included in the special education program. Students are reported on the special education census and receive state funds based on the option of service they receive in the special education program.

State Share: Based on the 92.5% TFP fund calculation (97.9% of the TFP weighted I&S)

Local Share: Based on 7.5% collective contribution of local school districts to the TFP calculation.

Extent of Participation: All 139 school districts receive special education funds.

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

School Lunch Program

Funding in 1990-91: $4.4 million (less than 1.0% of total state school aid)

Description: The state (T.C.A. 49-3-313) distribution to LEA's of an amount equal to the local match for federal funds distributed to local LEA's under Public Law 91-248.

State Share: Equals the required match to the federal funds.

Extent of Participation: All districts participate.

Career Ladder

Funding in 1990-91: $81.2 million (6.0% of total state school aid)

Description: Under the Comprehensive Education Reform Act (CERA) passed in 1984, the Tennessee legislature established, among other things, a career ladder program (T.C.A. 49-5-5001 *et seq*) designed to locate, evaluate, and recognize with incentive salary supplements those teachers and other certificated employees who are outstanding, and who are willing to accept additional responsibilities in Tennessee education.

State Share: The salary supplements and other expenses connected with the Career Ladder are fully funded by the state. *The BEP specifically maintained the Career Ladder as a categorical appropriation, and did not include its funding under the BEP formula.*

Extent of Participation: All districts participate.

Textbooks

Funding in 1990-91: $11.6 million (less than 1.0% of total state school aid)

Description: State funds provided (T.C.A. 49-3-310) for the purchase, repairing, and rebinding of school textbooks, and for instructional materials for kindergarten pupils.

State Share: The state is required to pay $7.50 per ADA based on the prior academic year. If the prior academic year's ADA exceeded the ADA of the year prior to it, then the state is required to pay an additional $12.50 per capita for the increase in ADA.

Extent of Participation: All districts participate.

Vocational Education

Funding in 1990-91: $5.5 million (less than 1.0% of total state school aid)

Description: Distribution by the state (T.C.A. 49-3-318) to LEA's of the amount necessary to match funds received from the federal government under the Manpower Development and Training Act (42 U.S.C. 2620), the Economic Opportunity Act of 1964 (42 U.S.C. 2701 *et seq*), and the Vocational Education Act of 1963 (20 U.S.C. 2301 et seq). This amount is in addition to the $ 55.6 million reported in part II, The Basic Support Program.

State Share: Appropriation is based on a plan submitted to the federal department of education and approved by them.

Extent of Participation: All districts participate.

Teachers' Group Health Insurance

Funding in 1990-91: $36.8 million (2.7% of total state school aid)

Description: LEA's have the option of using the state group insurance fund authorized under T.C.A. 8-27-303, or of providing an "equal or superior" health plan locally. Large or affluent districts tend to have local health insurance plans in Tennessee, rural or less affluent districts tend to use the state health insurance program.

Extent of Participation: Forty-three districts maintained equal or superior local health plans, while 96 participated in the state's Group Insurance for Public Officers and Employees Health plan.

Special Projects and Programs

Funding in 1990-91: $37.2 million (2.7% of the total state funding)

Description: Under this heading, and authorized by T.C.A. 49-1-204, 49-3-312, 49-3-306(11), 49-3-306(10), 49-6-3402, and 49-6-303, the state funded these projects in these amounts:

Driver Education	$1.8 million
Substitutes for Teachers on Leave	5.5 million
Duty Free Lunch Staffing	2.2 million
Teachers Aides Staffing	19.4 million
Alternative In-School Suspension	2.6 million
Elementary Guidance Counselor Staffing	5.7 million
Total	$37.2 million

State Share: All

Extent of Participation: Unknown, because the state aggregates these projects in their report

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

None, except for amounts included in Part VI, Special Education.

XIII. LOCAL SCHOOL REVENUE

For fiscal 1990 - 1991 local revenues for support of the public schools were:

Funding Summary, 1990-91
Local Tax Revenues

Property Taxes	$ 607.6 million	54.4%
Payments in Lieu of Taxes	99.3 million	8.9%
Local Option Sales Taxes	356.9 million	32.0%
Other Local Taxes	4.6 million	0.4%
City/County General Fund Appropriations	48.2 million	4.3%
Total	$1,116.6 million	100.0%

Major Sources of Local Funding. During the 1990-91 school year the state sales tax rate was 5.50% and the maximum local sales tax option was set at half the state rate (2.75%). At least one-half of the local option sales tax revenue is required to go to education. These local option sales tax revenues are returned to the taxing district of origin without regard to ADA, local revenue generating ability, or educational need. Another source of revenue is local property taxes. The categories of property assessment are uniform across the state (residential 25%, commercial at 40%, and utility at 55%) and property tax rates, expressed in dollars per $100 of assessed valuation, are set by the county and city governing bodies. The administration of assessments differs by county, with some districts having more precise, current property assessments than others, a factor which is not considered in attempting to equalize across districts.

In connection with the Education Improvement Act passed in March of 1992, an accompanying tax increase went into effect on April 1, 1992, increasing the state sales tax rate to 6%, but the maximum local sales tax rate will remain the same.

Equalization. Local tax revenues are not equalized.

XIV. TAX AND SPENDING LIMITS

During the 1990-91 school year, the state sales tax rate was 5.50% with the maximum local sales tax option set at half the state rate (2.75%). At least one-half of the local option sales tax revenue is required to go to education. *[Under the BEP the state sales tax rate was increased to 6.00%, but the local option sales tax rate was fixed at 2.75%].* Except for the limit on the local sales tax rate, there is no maximum general purpose tax rate or levy in effect for local governments.

Voter Approval of Bond Issues. School bond issues need not be submitted to voter referendum (T.C.A. 49-3-1002), but may be (T.C.A. 49-2-101 (5)). The state does not set a debt limit. *The BEP authorizes local school boards to participate in bond funding under T.C.A. 49-3-1210.*

Budget Deficits. School districts are fiscally dependent, and there is no direct way for local citizens to vote on or otherwise influence school budgets. It is the responsibility of county government to assure that school budgets do not go into deficit (T.C.A. 49-2-101 (4)).

XV. EARMARKED STATE REVENUE

Except for the requirement that at least one-half of the local option sales taxes be allocated to support education, no funds are earmarked for education in Tennessee. School funding comes from the acts of the state legislature, or from the acts of local governing bodies.

The BEP re-establishes school funding as a trust account at the state level, rather than an appropriation from the general revenues of the state, therefore unused balances will not revert to the general fund at the end of each fiscal year. Funds going into the trust account still require, however, an appropriation by the legislature. Also, 50% of the revenue generated by increasing the state sales tax from 5.5% to 6.0% was dedicated to funding K-12 education.

TEXAS

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I. GENERAL BACKGROUND

State

- The state share of general fund revenues for public schools has been slowly declining for the past several years, down now to approximately 38% of general revenues. Also, the state's percentage of public school personnel salaries that is paid into the teacher retirement system has declined, from a high of 8.5% to 7.65% in 1990-91 and 7.31% in 1991-92.

- The General Fund appropriation for public education is put into a Foundation School Fund (FSF). This is supplemented by the Available School Fund (ASF), which is the earnings from the Permanent School Fund (PSF). The constitution of Texas states that the PSF cannot be expended, but that its earnings can be expended each year (Section XV).

- The Foundation School Fund (FSF) is a distribution fund. At the present time, the fund receives monies transferred from the General Revenue Fund (GRF) in an amount sufficient to make up the difference between the Available School Fund (ASF) monies and the public school districts' Foundation School Program (FSP) entitlements.

- Passed in May, 1991, SB 351, the new Texas Foundation School Program (FSP) consists of 2 tiers, with the first tier (Tier I) being a form of "percentage equalization" and the second tier (Tier II) being a form of "power equalization," with school districts being allowed to provide additional enrichment above Tier II through local taxes.

- School finance reform has been a major concern in Texas since 1973 when the U.S. Supreme Court ruled in *San Antonio ISD* v. *Rodriguez* that Texas' method of financing public schools did not violate the equal protection clause of the U.S. Constitution. However, the Court through considerable dicta stated the Texas system of financing schools was not equitable, and that it was incumbent upon the state legislature to bring about a remedy.

- With the passage of H.B. 72 in 1984 by the Texas legislature, the funding method was revised drastically, and the educational finance reform movement became very pronounced. H.B. 72 changed the basis for distributing state funds from the state attempting to guarantee minimum services for each student in the state, to guaranteeing dollars per weighted student. This legislative effort did not stop, but only delayed, a court case from being filed in state district court which asked that the system of funding school districts be declared unconstitutional. In the *Edgewood ISD* v. *Kirby* case, in June, 1987, the district court held for the plaintiff; that decision was upheld by the Texas Supreme Court in 1989.

- During its 1990 special session, the legislature attempted to comply with the court's mandate with the passage of Senate Bill 1. However, the Texas Supreme Court declared S.B. 1 unconstitutional in January, 1991. The 1991 Texas legislature attempted to correct the problem with the passage of S.B. 351, the school finance plan that is in operation for the 1991-92 school year. This act was challenged by both sides, on different points. S.B. 351 was declared unconstitutional by the Texas Supreme Court in January 1992 on the basis that the County Education Districts are unconstitutional. The current finance system will be allowed to operate through the 1992-93 school year. During this period, CEDs will be allowed to collect taxes.

- *For 1991-92, state funds appropriated for education were prorated by 4.9%.*

Local

- There are 1,053 school districts. The state has been divided into 188 County Education Districts (CED) for collection of taxes to help fund Tier I. Most counties form a County Education District, but there are 264 counties in the state of Texas. Several CEDs are comprised of more than 1 county, the largest consisting of 7 counties. Each CED is an independent school district established by the consolidation of the local school districts in its boundaries for the limited purpose of exercising a portion of the taxing power previously authorized by the voters in those school districts and for distributing revenue of the CED to those districts. It is the intent of the legislature to abolish CEDs if the voters adopt a constitutional amendment authorizing the redistribution among other school districts of taxes levied and collected by a school district(recapture).
- Texas has 20 Regional Educational Service Centers (ESCs) which provide a wide range of programs and services to the state's 1,053 school districts. Although most of these are provided on request, there are some training programs which are mandated by the state that the ESCs provide. The ESCs are funded through monies appropriated to them by the state, federal grants, grants from other sources, fees charged to school districts per student, and fees charged to school districts for programs or services provided on a contract basis.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$5,827 million
Grants in Aid	4,995 million	
Teacher Retirement Contributions	832 million	
FICA	0	
Total Local School Tax Revenue[1]		7,207 million
Total Combined State and Local School Revenue		13,034 million
State Financed Property Tax Credits Attributable to School Taxes	NA	

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[1] Includes $745 million in other local and intermediate revenue

II. THE BASIC SUPPORT PROGRAM

Foundation School Program

Funding in 1990-91: $5,809.1 million (99.7% of total state school aid)
Tier I funding $5,099.8 million
Tier II funding $709.3 million

Nature of Program: A foundation program concept with 2 tiers. Tier I is a form of "percentage equalization" and Tier II is a form of "power equalization" or "guaranteed tax yield" (Texas Senate Bill 351 and House Bill 2885).

Units: Pupils. Average Daily Attendance (ADA).

Local Fiscal Capacity: Equalized Assessed Property Valuation — true market value with homestead exemption allowances and production valuation of land used for agriculture production. Business and industry may be granted tax abatements for up to 10 years.

Tier I

How Formula Operates: The basic allotment for Tier I guarantees $2,200 per weighted student, plus additional entitlements.

State Share: The amount of Tier 1 aid each district receives is equal to the difference between $2,200, or the adjusted basic allotment amount, per WADA plus the additional entitlements, and the amount each district receives from the CED.

Local Share: Tier I aid requires an *effective* tax rate of $0.72 per $100 valuation of property. For Tier I, tax collection and disbursements are made by the County Education District (CED). Tax revenues are collected and then disbursed to each school district located within that CED's boundaries on a Weighted Average Daily Attendance (WADA) basis.

Weighting by Grade Level: Weighting for additional entitlements include:

Special Education: There are 13 categories of special education each with its own weighting (Section VI).
Vocational Education: Weighting 1.37 (Section X)
Compensatory Education: Weighting .20 (Section VII).
Gifted and Talented Education: Weighting .12 (Section VIII).
Bilingual Education/English as a Second Language: Weighting .10 (Section IX).
Career Ladder: ADA x $90 (Section XV).
Transportation: Linear Density Formula (Section III).
Regional Schools for Deaf: (Section XI).
Regional Schools for Visually Handicapped: (Section XI).
Pre-kindergarten: (Section XII).

Adjustments for Special Factors: Adjustments are made to the basic allotment for: Cost of Education Index, Small District, and Sparsity.

1. Cost of Education Index. The basic allotment for each district is adjusted to reflect the geographic variation in known resource costs and costs of education due to factors beyond the control of the school district. The adjustment for the 1991-92 and 1992-93 school years is the cost of education index formula adopted in December, 1990, by the Foundation School Fund budget committee.

In the future, the Foundation School Fund (FSF) budget committee, by rule, adopts adjustments to the Foundation School Program for resource cost variations beyond the control of school districts. This rule is to apply beginning with the 1993-94 school year. The FSF budget committee reports the adjustments adopted to the legislature and the commissioner of education. If the FSF budget committee fails to adopt the adjustments by September 1, 1992, the commissioner of education will adopt adjustments not later than October 1, 1992.

The lieutenant governor appoints 5 members of the senate and the speaker of the house of representatives appoints 5 members of the house to a committee to conduct a study of certain costs of providing public education. The committee will examine methods of adjusting for specific resource cost variations caused by factors beyond the control of school districts. The committee will recommend adjustments for these factors that will provide the most efficient service delivery considering optimum district size, enrollment growth, and other cost factors. For this study, districts and campuses are divided into a variety of categories that include region, size, area, density, educational characteristics and economic conditions. This committee is to recommend adjustments to the Foundation School Program for resource cost variations caused by factors beyond the control of school districts to the FSF budget committee by June 1, 1992. The adjustments are to include an adjustment to account for fast enrollment growth and other factors relevant to a district's need for facilities and for appropriate treatment of the calculation of weighted students.

2. Small District Adjustment. The small district adjustment applies to districts that have fewer than 1,600 ADA. Current year's ADA may be used in qualifying for this adjustment. The ADA of a school district that is at least 300 square miles in size and has not more than 1,600 students in ADA is adjusted by applying the formula:

Adjusted Allotment = [1 + [(1,600 - ADA) x .0004]] x adjusted basic allotment

The ADA of a school district that is less than 300 square miles in size and has not more than 1,600 students in ADA is adjusted by applying the following formula:

Adjusted Allotment = [1 + [(1600-ADA) x .00025]] x adjusted basic allotment

This adjustment expires September 1, 1993.

3. Sparsity Adjustment. A school district that has fewer than 130 ADA will be provided an adjusted basic allotment on the basis of 130 ADA if it offers a K-12 program and has prior or current year ADA of at least 90 students or is 30 miles or more by bus route from the nearest high school district. A district offering a K-8 program whose prior or current year ADA was at least 50 students or which is 30 miles or more by bus route from the nearest high school district will be provided an adjusted basic allotment on the basis of 75 ADA. An ADA of 60 students shall be the basis of providing the adjusted basic allotment if a district offers a K-6 program and has a prior or current year ADA of at least 40 students or which is 30 miles or more by bus route from the nearest high school district.

Districts Off Formula: None

Tier II

Guaranteed Yield Funding in 1990-91: $709.3 million (12.2% of total state school aid)

Description: Tier II guarantees $21.50 per WADA for each cent of tax levied above the Tier I required tax rate ($0.72), up to an additional $0.45.

State and Local Share: The local school district levies and collects this revenue (not the CED). If the revenue does not amount to $21.50 per WADA, the state will provide the difference. If the revenue amounts to more, the district gets to keep all of the revenue, but receives no monies from the state.

School districts may levy taxes above the Tier I and Tier II levels ($1.17) up to $1.50, but the state does not participate in providing revenue to school districts above the $1.17 level.

Extent of Participation: At least 40% of the districts do not receive Tier II because they generate more than $21.50 for each cent levied.

The Foundation School Program formula will increase each year through 1994-95. For 1992-93, the Tier I allotment is $2,400, minimum tax rate is $0.82 and Tier II guaranteed tax yield (GTY) is $22.50. For 1993-94, the Tier I allotment is $2,600, minimum tax rate $0.92 and Tier II GTY is $26. For 1994-95, Tier I allotment is $2,800, minimum tax rate is $1.00 and Tier II GTY is $28.

Technology Funds

Beginning with the 1992-93 school year, the FSP will include a technology allotment. The allotment amounts per ADA for 1992-93 = $30; 1993-94 = $35; 1994-95 = $40; 1995-96 = $45; 1996-97 = $50. The Commissioner of Education has the authority to redirect technology funds from school districts to statewide technology projects.

Compensation of Professional & Paraprofessional Personnel

A school district must pay each employee who is qualified for and employed in a position classified under the Texas Public Education Compensation Plan not less than the minimum monthly base salary, plus increments for teaching experience, specified for the position.

Contracts for personnel shall be made on the basis of a minimum of 10 months of service, which must include the number of days of instruction for students and days of preparation. Personnel employed for more than 10 months must be paid not less than the minimum monthly base pay plus increments for experience for each month of actual employment.

Each individual will advance one step for each year of experience until step 10 is reached. For each year, up to a maximum of 2 years, of work experience required for certification in a vocational field, a vocational teacher who is certified in that field is entitled to a salary step credit as if the work experience were teaching experience.

Monthly Salary Schedule by Steps:

Step	Salary
0	$1700
1	1814
2	1928
3	2042
4	2156
5	2270
6	2384
7	2498
8	2612
9	2726
10	2840

III. TRANSPORTATION

Funding in 1990-91: $271.2 million (4.7% of total state school aid)

Description: There are 3 categories of transportation in the FSP: regular transportation, special education transportation, and vocational education transportation. Regular transportation is calculated using a linear density formula which determines an allowance per mile. Basically, this formula takes into consideration the miles traveled and the number of students transported each mile. The maximum rate per mile allowable shall be set by appropriation based on data gathered from the first year of each preceding biennium.

A school district or county that provides special transportation services for eligible handicapped pupils is entitled to a state allocation paid on a previous year's cost-per-mile basis.

The cost of transporting vocational education students from one campus to another inside a district or from a sending district to another secondary public school for a vocational program or an area vocational school or to an approved post-secondary institution under a contract for instruction approved by the Central Education Agency is reimbursed based on the number of actual miles traveled multiplied by the district's official extracurricular travel per mile rate as set by their local board of trustees and approved by the Central Education Agency.

State and Local Shares: Transportation is funded as part of the FSP discussed in Section II. State and local shares are the same as the FSP.

Extent of Participation: All districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

State school aid for capital outlay is included in the Tier II level of the FSP. Additional monies may be provided from cash reserves, bond issues or maintenance tax debt obligations. The maintenance tax debt obligations can be issued to finance personal property such as portable buildings, copy machines, furniture, computers, buses, automobiles, maintenance equipment, and telephone systems. These only require approval by the board of education, not a vote by the patrons, and can be repaid over a period of several years (no exact time period stipulated by law).

Bonds. In order for a school district to sell bonds, a majority vote by the voters is required in that school district's bond election. There are some restrictions concerning their sale. Bond monies can only be used for capital outlay purposes: e.g. to purchase capital equipment, property, or for construction and/or renovation. A school district may use one of two methods in determining the amount of bonds they can issue. A district is authorized to have an unlimited property tax rate for payment of bonds and interest, but limits the total principal indebtedness of the district to 10% of the assessed valuation. The other method places no direct limit on the principal amount of bonds which may be issued but does place a ceiling on the tax rate which may be levied for bonds and interest. The maximum tax rate which may be voted is $1 per $100 of assessed valuation. Most districts use the first method (unlimited tax bonds.) The maximum term for which a Texas school district bond can be issued is 40 years.

Facilities

Emergency Grants. At least $50 million of emergency grants will be available for the 1992-93 school year. The State Board of Education (SBOE) establishes procedures for administering the grants.

Facilities. The SBOE must establish school facilities standards. Facilities constructed after September 1, 1992, must meet SBOE standards if either state or local funds are used.

V. TEACHER RETIREMENT

Funding in 1990-91: $831.9 million (14.3% of total state school aid)

Description: State contributions to education personnel's retirement fund are made directly to the Texas Teacher Retirement System (TRS). In 1990-91, the state contributed 7.31% of an employee's salary. This percent may be changed by the legislature. The employee contributes 6.4% of their salary; this amount is withheld by the school district and sent to TRS on a monthly basis. The state does not provide social security coverage for public school employees.

State and Local Shares: The state pays the full cost of the employer's share of teacher retirement up through the state salary schedule. Districts that pay salaries above the state schedule are required to pay retirement on the amount of salary which exceeds the salary schedule amount.

Extent of Participation: All districts are required to participate. Some districts provide retirement benefits in addition to the TRS as a negotiated benefit.

VI. SPECIAL EDUCATION

Funding in 1990-91: $853.3 million (14.6% of total state school aid)

Description: For each full-time equivalent student (FTE) in average daily attendance in a special education program, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight determined according to instructional arrangement as follows:

Instructional Arrangement	*Weight*
Homebound	5.00
Hospital Class	5.00
Speech Therapy	7.11
Resource Room	2.70
Self-contained, mild, regular campus	2.30
Self-contained, severe, regular campus	3.50
Self-contained, separate campus	2.70
Multi-district Class	3.50
Vocational Adjustment Class	2.30
Community Class	3.50

Care and Treatment Facilities Students	5.00
State School Students	5.00
Mainstream	.25

A special instructional arrangement for handicapped students residing in care and treatment facilities, other than state schools, whose parents or guardians do not reside in the district providing education services shall be established under the rules of the State Board of Education. The funding weight for this arrangement shall be 5.0 for those students who receive their education service on a local school district campus. A special instructional arrangement for handicapped students residing in state schools shall be established under the rules of the State Board of Education with a funding weight of 5.0.

For each student placed in a partially self-contained classroom who was placed in a totally self-contained classroom for a least two-thirds of the prior year, a district will receive $2,500. This payment must be used to facilitate the placement of the student in the less restrictive environment (partially self-contained classroom).

Both special education and vocational education students are figured on FTEs, based on a 30-hour per week attendance in a program. A student enrolled in a special education or vocational education program for one hour per day, 5 days per week, is considered to be one-sixth of an FTE student for that program. Also, these FTEs are subtracted from a district's total ADA when calculating their regular program ADA. These are the only two programs in which this is applicable. All other programs are "add-ons," meaning the students count as regular ADA and the weighting is additional.

State and Local Shares: Funded through Tier 1 additional entitlement.

Extent of Participation: All districts

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $542.2 million (9.3% of total state school aid)

Description: The number of educationally disadvantaged students is determined by averaging the best 6 months' enrollment in the national school lunch program of free or reduced-price lunches for the preceding school year. The weighting for these students is .20.

State and Local Shares: For each student who is educationally disadvantaged or who is a non-handicapped student residing in a residential placement facility in a district in which the student's parent or legal guardian does not reside, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.2, and by 2.41 for each full-time equivalent student who is in a remedial and support program because the student is pregnant.

Extent of Participation: All districts

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $37.8 million (less than 1.0% of total state school aid)

Description: For each student a school district serves in a Central Education Agency approved program for gifted and talented students, or in the case of a district that is developing a program in accordance with standards established by the commissioner of education for each student the district identifies as gifted and talented under State Board of Education criteria, a district is entitled to an annual allotment equal to the district's adjusted basic allotment multiplied by .12. Not more than 5% of a district's students in average daily attendance are eligible for funding under this section.

State and Local Shares: Funded through Tier 1 additional entitlement.

Extent of Participation: All districts

IX. BILINGUAL EDUCATION

English as a Second Language

Funding in 1990-91: $48.4 million (less than 1.0% of total state school aid)

Description: For each student in average daily attendance in a bilingual education or special language program, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by 0.1.

State and Local Shares: Funded through Tier 1 additional entitlement.

Extent of Participation: All districts

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $294.6 million (5.1% of total state school aid)

Description: For each FTE student in average daily attendance in an approved vocational education program in grades 9-12 or in vocational education for the handicapped programs in grades 7-12, a district is entitled to an annual allotment equal to the adjusted basic allotment multiplied by a weight of 1.37.

Extent of Participation: All districts

Regional School for the Visually Handicapped
and/or
Regional School for the Deaf

If a school district is approved to operate one or both of the above listed schools, an individual contract is negotiated with the state which indicates how much the district will receive from the state for each of the students and the amount the sending districts will pay per student.

Career Ladder Salary Supplement

Funding in 1990-91: $277.7 million (4.8% of total state school aid)

Description: Teachers on the career ladder system (see section II) are entitled to an annual supplement in addition to the minimum salary set in the following amounts: Level Two, $2000; Level Three, $4000; and Level Four, $6000.

If the allotment designated for support of the career ladder will not fully fund the supplements the district may reduce the supplements to not less than $1,500 for Level Two, $3,000 for Level Three, or $4,500 for Level Four, or the district can provide for stricter performance criteria than prescribed by the mandate, subject to the approval of the State Board of Education, or the district may use both provisions.

If the district pays more to teachers than the state minimum salary prescribed, the teacher is entitled to the career ladder supplement in addition to the amount otherwise paid for the teacher's step on the district's salary schedule.

Extent of Participation: All districts

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Beginning with the 1991-92 school year, 3- or 4-year-old students will be included in regular attendance. If a school district identifies at least 15 eligible 4-year-old students a program must be offered. If at least 15 eligible 3-year-old students are identified, a program may be offered. To be eligible, a child must be unable to speak or comprehend English or must come from a family whose income is at or below the state subsistence level (currently the same as the federal poverty level). These students will count as 0.5 ADA rather than a full ADA and will be included in the regular program attendance count.

XIII. LOCAL SCHOOL REVENUE

In Texas, the only local tax that a school district can assess is the ad valorem property tax. Local governing bodies, individually and independently, determine and set the tax rate for their entity, being regulated only by special laws that might relate to them. There are 3 principles in the Texas constitution that pertain to the property tax system: (1) taxation must be equal and uniform; (2) all property must be appraised according to market value, unless the property's use qualifies it for appraisal according to a different standard of value; (3) all property is taxable unless a federal or state law provides an exemption. The property tax system runs on an annual cycle in 4 stages: (1) appraising the taxable property; (2) reviewing and equalizing the appraised values; (3) adopting the tax rates; and (4) collecting the taxes.

Tax Exemptions. The most common type of exemption is the residence homestead exemption. One must use the home, condominium, townhouse or mobile home as a principal residence on January 1 to claim this exemption. The normal homestead exemption is $5,000, but those over 65 years old qualify for an additional $10,000. A person must file for this exemption between January 1 and April 30 . People have to file only 1 time as long as they live in the same home. If they move to a new home, then they must file again.

Homeowners who are over 65 automatically qualify for a tax ceiling on their school taxes. The taxes on their home cannot increase for as long as they own their home and live there, unless improvements are added to the home.

Property taxes constitute the sole source of local school district tax revenues. Tax rates up to $1.50 per $100 dollars of property valuation can be set by the school board. School districts may exceed this limit if the additional tax is for debt service, authorized by an election held before April 1, 1991, and issued before September 1, 1992. All properties are assessed at market value unless the property's use qualifies it for appraisal according to a different standard or value. Land used for farming and ranching may qualify for appraisal based on its capacity to produce crops or livestock (productivity valuation), instead of its value on the real estate market. To qualify, the land must be owned by an individual. Land used in agricultural pursuits and owned by corporations, companies, or groups may qualify as open-space land. Valuation of the land will be the same whether it is productivity valuation or open-space land.

The State Property Tax Board conducts a sales to assessed value ratio study every 2 years.

XIV. TAX AND SPENDING LIMITS

Beginning in 1994-95, the revenue limit will be an amount equal to 110% of the amount of state and local funds guaranteed under the FSP per student in weighted ADA to a school district with a total tax rate of $1.25 per $100 of taxable value of property, as calculated for the 1994-95 school year.

If the total number of weighted ADA students in districts exceeding the 110% revenue limit equals or exceeds 2% of the state total number of students in weighted ADA for the current year, then none of the school districts exceeding the 110% revenue limit may exceed the 110% limit the following year. Funds required for debt service are exempted from the limit. The commissioner will notify those districts in which revenues are subject to the limitation imposed.

Another limitation is that a school district may not impose a total effective tax rate on the $100 valuation of taxable property in excess of the difference between $1.50 and the rate levied by the county education district in which the district is located.

XV. EARMARKED STATE REVENUE

Permanent School Fund

The Permanent School Fund (PSF) had its beginning in 1854 with a legislative appropriation of $2.0 million, but neither this amount nor any of the earnings was ever available to the public schools. The Texas Constitution of 1876 set aside the perpetual endowment, which marked the real beginning of the PSF. The endowment consisted of all funds previously allocated to education but not spent and a generous addition of half the public domain. Later, oil and natural gas was discovered on much of this land, and all of this revenue must be deposited into the PSF, which cannot be expended. This fund now totals approximately $8.0 billion and continues to grow each year. The Texas constitution states that the PSF cannot be expended; only the earnings from the PSF can be expended.

The earnings from the PSF are annually deposited into the state Available School Fund (ASF.) In 1990-91, this amounted to $990.9 million. The ASF fund first pays for the textbooks provided public school students; then the remaining monies are put into the Foundation School Fund (FSF) and with the appropriations from the state's general fund finances the state's portion of the Foundation School Program.

UTAH

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I. GENERAL BACKGROUND

State

- The share of total state funds used for education has declined over the past 20 years, approximately 9% since 1970. The Minimum School Program has been funded approximately 75% from state funds and 25% from local property taxes.

- State funds for the public schools come from several sources and are deposited in the Uniform School Fund. The major source of revenue is the state income tax. Under the Utah Constitution, income tax is constitutionally earmarked for the Uniform School Fund. The difference between total revenues available from the Uniform School Fund and the dollars needed to fund the state's share of the Minimum School Program Act is made up by a General Fund appropriation. In 1990-91, only a small transfer was required as the income tax was providing more of the funds.

- Utah uses a basic equalization formula which guarantees school districts a basic amount per pupil in membership for 180 days, plus add-on funding for special conditions or courses (e.g., special education, vocational education, etc.). This basic amount per pupil is called a weighted pupil unit (WPU) and for 1990-91 was $1,346.

- In FY 1991, 60% of the $1,020 million was provided by state funds with local school districts providing 23.9% of the Minimum School Program funds. In FY 1991, 60% of the $1,020 million appropriated was "Basic School Program" with an additional 16% going to related costs like health insurance, retirement, social security, etc. Additionally, 13% was used to fund restricted add-on programs including special and vocational education. Of the 11% left, 3% went to student transportation, 3% went to career ladders, and the balance went to research and development and supporting voted and board leeways.

- School finance reform is a major concern of both state officials and legislators. A number of these reforms were implemented in the 1991 legislative session for the 1991-92 school year, with others on the docket for the 1992 session. There were 15 recommended changes. Six of the major changes are discussed below.

  - *Regular Education Allocation Formula.* Funds prior to FY 1992 were allocated on the actual year's average daily membership (ADM). Beginning with FY 1992, regular school funds will be allocated on prior year actual ADM plus a fall count day growth factor. The growth factor is determined by comparing the previous year's October 1 county to the present year's October 1 count. This change enables districts to enjoy defined revenue projects much earlier in the school year.

  - *Necessarily Existent Small Schools.* The necessarily existent small schools formula was changed from a straight regression to a linear regression process. This gives more funds to the very small schools at the expense of the large qualifying school.

- *Special Education Regular.* The funding of Special Education was changed from a level system that was service-driven and which had been impossible to fund at 100% of generation, almost from the beginning, to a base system. The new system took the FY 1990 generated figures at 90% as a base. With the base funded, growth will be funded at the previous year's actual growth in special education or at the district's estimated growth of all students based on the fall count data, using whichever is smaller. The student growth is weighted by a factor of 1.53 and added to the base to determine the funding for the new year.

- *Social Security and Retirement.* Previously, social security and retirement had been funded on reimbursement for actual costs incurred. The new program allocates revenue to the district based on total weighted pupil units (WPUs). This changes the system from one that is employee-driven to one that is student-driven.

- *Transportation.* The previous transportation funding was on an approved-cost reimbursement method that used cost, density, miles, and students as factors. The new method is a generation formula that considers miles, time, and bus allowance for approved bus routes. The state is no longer involved in approving costs. This is a local district responsibility.

- *Capital Outlay Equalization.* The Critical Building Aid Program that assists needy districts will be continued at least in the early years while an equalization program is phased in. The capital outlay equalization mandates the levying of a set levy by all districts who are above the state average on assessed valuation per students. The funds derived by this method are recaptured, put with some state funds, and distributed to school districts that are below state average on assessed valuation.

  Receiving districts must levy a minimum of 2 mills and have used alternate methods of meeting building needs. The law as passed phases in this program over a number of years, but when phased in will have established a foundation equalization of 1 mill.

Local

- There are 40 fiscally independent comprehensive K-12 school districts, each of which must participate in the "Minimum School Program," level the required tax, and be subject to recapture.
- Property taxes constitute the sole source of local district tax revenues. Each district must levy the basic rate (4.656 mills in FY 1991) and may levy other optional taxes for maintenance and operation, special transportation, tort liability, recreation, debt service, capital outlay, and 10% of the Basic School Program. All of these taxes are subject to legal maximums except the basic levy, debt service, and recreation.
- Utah has a "truth in taxation" law that requires the district to hold a public hearing if the increasing of a specific tax causes the total tax to exceed the certified tax rate. All property in Utah is valued at current market value except for primary residency, which is allowed a 33% discount.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$777 million
Grants in Aid	777 million	
Teacher Retirement Contributions*		
FICA*		
Total Local School Tax Revenue		244 million
Total Combined State and Local School Revenue		1,021 million
State Financed Property Tax Credits Attributable to School Taxes	0	

* Teacher retirement and Social Security contributions are included in all programs and amounts are included in Grants in Aid. Separate amounts are not available.

II. THE BASIC SUPPORT PROGRAM

Minimum School Program Act

Funding in 1990-91: $1,021 million (See I. General Background for funding breakdown)

Nature of Program: Foundation. Guaranteed weighted pupil unit, known as the Minimum School Program Act. [Utah Code 53a-17a.]

Units: Pupils. Weighted average daily membership.

How Formula Operates: The basic Weighted Pupil Unit formula guarantees that for each student who is enrolled for the 180 days of the school year, the district will receive an amount equal to the value of 1 WPU. In FY 1991, this value was $1,346. Additional WPUs are generated by formulas in the law for special conditions or courses (e.g., necessarily existent small schools, special education, and vocational education).

The programs that generate WPUs fall into 5 categories: (1) basic school programs, (2) special education (Section VI), (3) vocational education (Section X), (4) special-purpose optional programs, and (5) other restricted programs (Section X). All of the Basic School Program Funds are unrestricted and may be used by the districts as necessary to fund the basic educational needs of the students.

The state pays costs of a number of programs not included in the WPU value but still related to the basic process of education children, such as: retirement funding and social security (Section V), some health insurance costs, student transportation (Section III), regional service centers (Section X), and research and development activities (Section X).

State and Local Shares: The school district is entitled to funding for all WPUs generated by the formulas in the law. However, each local district must levy the required millage, which was 4.656 mills in FY 1991. If the required millage raises less funds than is necessary to meet the guarantee, the additional funds are provided by the state. If the 4.656 mills raises enough money to meet the guarantee, the district keeps it. Otherwise, the surplus funds are recaptured by the state for distribution to eligible districts.

One-twelfth of the aid payments is made every month beginning in July. The method of payment is the prior year amount plus a growth factor. If there is a negative growth factor, the district is held harmless for a year.

Weighting by Grade Level: All handicapped students are weighted at 1.53. Other weightings are not available.

Adjustments for Special Factors: The 3 funded programs, in addition to K-12, that are considered Basic School Programs are the Necessarily Existent Small Schools, Professional Staff, and Administrative Costs.

The Necessarily Existent Small Schools program generates WPUs for small schools that cannot be eliminated due to sparsity of population and distance. The law and board rules include size limitations and a linear regression formula that increases the amount of support per student as the school becomes smaller.

The Professional Staff program provides additional funding to districts based on teacher years of experience and level of education. A professional staff ratio developed for each district is applied to the K-12 and the necessarily existent small schools WPUs for additional funding.

Districts Off Formula: None.

III. TRANSPORTATION

Funding in 1990-91: $27.4 million (3.5% of total state school aid)

Description: Utah law provides funding for transporting eligible students to and from school. A K-8 student must live 1.5 miles from school, and a 9-12 student must live 2 miles from school in order to be transported with school funds. Some WPU funds may be used for field trips, and a special levy may be enacted to meet the costs of field trips and extracurricular activities. Transportation funds are allocated to districts using a linear regression formula with eligible students, density factors, and approved costs as important elements.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital outlay is primarily a district-funded program. However, the state does provide a small grant ($6.5 million in FY 1991) for school building aid programs. Three building aid programs are available: critical school building aid, continuing school building aid, and a non-interest loan plan. Districts qualify for one or more of the aid programs by having unmet building needs, being bonded to 95% of capacity, and levying the required millage.

In addition to state aid, local school districts can levy up to 2 mills for capital outlay and debt service. The law also includes a provision that authorizes a district to levy whatever millage is necessary to meet bond principal and bond interest payments. The law also allows, upon a vote of the people, the local district to levy an additional 2 mills for capital outlay. This program is called the Capital Outlay Voted Leeway. All bond issues must be approved by a vote of the people.

V. TEACHER RETIREMENT

The Minimum School Program Act requires full reimbursement to school districts for all eligible retirement and social security costs. Generally, all programs not funded with federal funds are eligible. The law mandates that these costs be paid first even if the value of the WPU must be lowered to assure full payment. Some health insurance costs are carried in a separate line. The legislature provided a separate line in the budget to help with the rapid increase in the costs of health insurance. However, the majority of the costs of health insurance must be paid from WPU revenue.

VI. SPECIAL EDUCATION

The 5 sub-programs of Special Education are (1) Handicapped-Regular Program, (2) Handicapped Pre-School, (3) Self-Contained Handicapped Adjustment, (4) Extended-Year Program for Severely Handicapped, and (5) Handicapped-State Programs.

The Handicapped-Regular Program add-on WPUs are computed by a service-driven system called the level system. Special education students are weighted based on the service provided. The weightings for WPU generation increase as the level of service increases.

The Pre-School Handicapped Program is funded by providing to the district 1 WPU for each pre-school child listed as receiving service on the previous December 1 count.

The Extended-Year Program for Severely Handicapped is funded by taking the number of weeks and days the program is run in each district, times the number of children in each program to determine each district's share of the WPUs provided for this purpose by the Legislature.

The Handicapped-State Program is the last WPU-driven program in Special Education. First, these funds are to be used to support education programs in state institutions like the mental hospital, and secondly to help districts with start-up costs, etc.

VII. COMPENSATORY EDUCATION

See Section X — Other Restricted Programs.

VIII. GIFTED AND TALENTED EDUCATION

See Section X — Other Restricted Programs.

IX. BILINGUAL EDUCATION

See Section X — Special Purpose Optional Programs.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Four vocational education programs are funded through WPUs: Vocational and Technical Education-District, Vocational Incentive Program, Vocational District Set-Aside, and Secondary Vocational Education-Area Technical Centers.

The add-on WPUs for Vocational and Technical Education-District are generated by legally defined formulas which take into consideration the costs of operating different types of programs. Based on statewide cost studies, programs are categorized into 3 levels: Level 1 — low-cost programs, Level 2 — medium-cost programs, and Level 3 — high-cost programs. The student membership in each program is multiplied by the weighting factor for that program's level to determine the WPUs for the course offered. In addition to the WPUs generated by student attendance in the courses, districts offering vocational courses or having an approved vocational high school also receive additional WPUs. WPUs are also generated for student placement, summer agriculture, and for running student youth organizations.

The Vocational Incentive Program encourages high schools with less than 400 students to send vocational students to larger schools for training. The formula in the law allows incentive money to cover transportation costs and to encourage the school to send the student.

Vocational District Set-Aside provides funding for equipment and start-up costs of new vocational education programs. Part of the amount allocated by the legislature is given to the districts on a base formula (usually around $5,000), with the balance being distributed by competitive project applications based on need and merit.

Special Purpose Optional Programs

In FY 1991, $17.8 million was provided to fund 14 special programs: Instructional Media Centers, Extended YearDay and Summer, Compensatory Education, Elementary School Guidance, Community Education, Career Education, Education Field Trips, Elementary Music, Textbooks and Lab Fees, Responsible Parenthood, Bilingual Education, Class-size Reduction, and Special Needs. All of the appropriated funds must be spent in these 14 programs, but the local school district has the option of choosing which ones they will fund, and for how much.

Other Restricted Programs

Youth-in-Custody, Adult High School Completion, Accelerated Learning, and At-Risk Student Programs are restricted in use and are funded by the legislature as part of the Minimum School Program.

In FY 1991, $4.2 million was distributed through the Youth-in-Custody program to districts with children under the direction of the courts and in need of special education services.

In FY 1991, $3.8 million was distributed through the Adult High School Completion program, based 50% on population (the most recent census) and 50% on prior-year participation.

The 3 components of the Accelerated Learning program are Gifted and Talented, Advanced Placement, and Concurrent Enrollment. Gifted and Talented funds ($1.1 million in FY 1991) are distributed to districts based on students in membership. Advanced Placement funds ($0.84 million in FY 1991) are distributed based on the number of students who score a "3" or better on an Advanced Placement exam. The Concurrent Enrollment program allows students to attend an institute of higher learning for part of the day while still enrolled in high school. The funds are given to participating school districts based on each district's student-hours compared with the statewide total student-hours spent at such an institute.

Regional Service Centers

Funding in 1990-91: $0.47 million (less than 1.0% of total state school aid)

Description: The state provides funds to 4 regional service centers in rural Utah to provide media, special education, and other support service.

Research and Developmental Programs

Funding in 1990-91: $4 million (less than 1.0% of total state school aid)

Description: This budget item provides funds for school districts to do research into new processes or for startup costs to adopt an already developed procedure.

XI. STATE AID FOR PRIVATE K-12 EDUCATION

None.

XII. PREKINDERGARTEN EDUCATION

See Section VI — Special Education.

XIII. LOCAL SCHOOL REVENUE

Property taxes constitute the sole source of local district tax revenues. Each district must levy the basic rate (4.656 mills in FY 1991) and may levy other optional taxes for maintenance and operation, special transportation, tort liability, recreation, debt service, capital outlay, and 10% of the Basic School Program.

XIV. TAX AND SPENDING LIMITS

All of these taxes are subject to legal maximums except the basic levy, debt service, and recreation. The tax limits are as follows: special transportation, .2 mill; tort liability, .1 mill; debt service and capital outlay, 2 mills; recreation, none; and 10% of the Basic is limited to a mill levy to generate funds not in excess of 10% of the Basic School Program.

In addition to these levies, districts may supplement the funds available for maintenance and operation by levying a board levy, a voted leeway levy, or both. The maximum levy for both of these combined is 2 mills, with a board-authorized levy maximized at .4 mill. The Basic Levy is set by the legislature and may vary from year to year. Despite the 2-mill limit on capital outlay and debt service, a district may levy as many mills as necessary to make current debt interest and principal payments.

XV. EARMARKED STATE REVENUE

Under the Utah Constitution, income tax is constitutionally earmarked for the Uniform School Fund.

VERMONT

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I. GENERAL BACKGROUND

State

- The state share of basic foundation educational expenditures has varied between 20% and 37% since 1964. The general trend has been that the state share would erode to about the 20% level. At this point, the general dissatisfaction resulted in a new state aid formula with an infusion of significant monies to restore the state share. A spike in state share occurred in 1969 with the adoption of a percentage equalizing formula based on property wealth. In 1982, state share recaptured ground lost since 1969 with the introduction of a percentage equalizing formula which gave income wealth an equal weight with property wealth. The state share deteriorated again until 1987 when a foundation plan was put into place. The appropriation with the new formula brought the state share of the foundation cost up to 36.6%. However, with the weak New England economy the state share has slowly eroded. For 1990-91, the share had dropped to 33.6%. For FY 1992, the state share decreased to 30% and FY 1993 will show even greater reductions as both the relative share and the absolute amount of state funds decrease.

- State revenues are primarily generated through income and sales taxes. The lottery along with numerous fees and excise taxes are a smaller portion of the state's revenues. Total state government expenditures in 1990-91 were $1.4 billion of which $212.4 million were for K-12 education which represents 15% of state expenditures. However, in the overall state budget, a number of revenue sources are earmarked and are not part of the general fund. The largest of these is the transportation fund. All education monies come from the general fund (which was $609.7 million in FY 91) and education absorbs 42% of general fund monies.

- Vermont uses a rather straightforward foundation formula for general state aid. The foundation level is recommended annually by the Commissioner of Education. If the legislature does not object, the foundation level is established. The foundation cost is calculated to be the amount of money, on a per pupil basis, a typical school district needs to provide an education meeting state standards for curriculum, facilities, class size and the like. Foundation costs are *not* total costs as all categorical programs (both state and local shares), above average expenditures, local grants and federal monies are excluded. The major exclusions are special education, construction, bonded indebtedness, transportation and retirement.

- Local financial capability in the formula is based predominantly on property wealth. The legislature determines a foundation tax rate based on cost per $100 fair market value. In 1991-91, this figure was $1.085. This was the lowest figure in the brief history of the foundation formula. The foundation tax rate has increased for FY 1992 and FY 1993 as state funds have been limited due to general economic circumstances. While the legislature has historically been reluctant to challenge the Commissioner's foundation cost figure, they have adjusted the foundation tax figure to the size of the available appropriations.

- School finance reform is a perennial subject of debate. With two-thirds of school expenditures coming from local property taxes, the burden is direct and clearly felt in the towns. As Vermont towns are relatively small and property wealth is unevenly distributed, extreme variations in local tax burdens exist. Numerous proposals such as a greater state share of education costs, a state property tax, and regional tax sharing have been advanced to resolve these disparities. Yet, all of these notions have failed due to deficiencies in the state tax base and a very strong localist tradition. As of Summer, 1992, the Governor has commissioned a property tax reform panel and has stated that property tax reform will be his primary objective in the next session of the legislature.

- The state aid formula is also a key focus of debate and reform recommendations. The legislature is now empaneling a state aid study commission. The primary dissatisfaction with the current formula is that it defines wealth almost exclusively as property. This definition exacerbates the tax discrepancies between towns as the lowest paying quintile had a tax rate of $0.56 and the highest had a rate of $1.46 in 1990.

Local

- Vermont has 254 autonomous town school districts which are the primary units for educational funding. Except for some small categorical funds and grants, all state monies go to the towns. The towns also set the rates and collect local property taxes. While most towns operate schools, many are non-operating and they tuition their students to other towns. Union school districts and joint operating school districts allow towns to combine resources in providing educational services. Union schools are predominantly regional high schools and only 2 joint operating districts are in operation.
- There are 51 supervisory unions where towns share a superintendent of schools, special services, business, curriculum and other functions similar to intermediate units. Ten additional superintendencies are contiguous with the boundaries of a single city or town. Union schools, joint operating schools and supervisory unions are financed by assessments to the member towns. County governments have no role in education funding or administration. There are no intermediate units.
- Property taxes constitute the sole source of local district tax revenues. All town and union school district budgets must be voted annually by the citizens. Supervisory union expenses are determined by the board which is composed of school board members from the town school boards in the supervisory union. Joint operating districts do not have to take their budget to the voters but 1 of the 2 such districts has chosen to do so.
- The constitutional requirements for education are weak. In the education clause, the mandate is that towns "ought" to maintain a sufficient number of school buildings. The equal protection clause, however, mandates that citizens must pay their fair share. There is active discussion as to whether the equal protection clause is sufficient to sustain a court challenge. There are spending inequities between towns but the tax inequities as indicated by the ratios between high and low tax rate districts are much greater.
- Each year, minor changes are made to the state aid formula. The key factors, of course, are the foundation level and the foundation tax rate. For FY 1993, the maximum amount a district could lose from one year to the next was increased and the minimum amount of aid per pupil (for all but the richest districts) was decreased.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$222 million
Grants in Aid	207 million	
Teacher Retirement Contributions	15 million	
FICA	0	
Total Local School Tax Revenue		348 million
Total Combined State and Local School Revenue		570 million
State Financed Property Tax Credits		
Attributable to School Taxes	NA	

II. THE BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1990-91: $148.2 million (66.8% of total state school aid)

Nature of Program: A Foundation program as provided for in 16 VSA, Chapter 123 - State Aid

Units: Pupils. Average Daily Membership (ADM).

Local Fiscal Capacity: Equalized assessed property valuation and personal income.

How Formula Operates: The foundation plan determines state aid by subtracting from the amount of funds needed the resources available locally.

State Aid = Educational Need - Local Resources available

The educational need is determined by a 2 year average of the number of resident enrolled pupils in the town (ADM). The number of students is adjusted by weighted figures for secondary students (1.25), poverty (1.25) and transportation.

The foundation cost is recommended to the Legislature by the Commissioner on or before December 1 of the preceding year. If the legislature does not modify this figure, then it becomes the basis for state aid. For 1990-91, a figure of $3,575 was calculated to be sufficient to provide an education which met state standards to the average elementary student. For 1991-92, the foundation figure was $3,900 and the 1992-93 figure has been set at $4,020.

Educational Need = (Weighted ADM) (State Foundation Cost)

The amount of local resources available to pay for educational needs is based on the value of property in each town. The property value figure used in the formula is the "Equalized Grand List" which represents 1% of the aggregate fair market value (AFMV) of all real property in the town. This AFMV is determined by the examination of actual property sales in the town rather than on the listed value.

The value of the town's real property is then multiplied by the foundation tax figure. The foundation tax rate is set annually by the legislature and is supposed to represent a "fair tax burden" for education for all property owners. The figure has varied from year to year based upon the availability and the willingness to commit state funds. In 1987-88 the figure was $1.28 per $100 of property value. The figure declined steadily to $1.085 in 1990-91 and has risen since that date to a figure of $1.17223 for 1992-93.

Local Resources Available = (Equalized Grand List) (Foundation Tax Rate)

State Share: There has been no legislated, court or constitutional method of fixing the state share or responsibility. As noted previously, the state share peaked at 37% of the foundation figure and has been declining due to economic circumstances. The legislature has adjusted the foundation tax rate as a means of reconciling appropriations with formula constraints. This has resulted in a number of anomalies in the operations of the formula: As the foundation tax rate increases, more towns come "off the formula". This causes the slope of the equalization line to become steeper and fewer towns to have a vested interest in the formula. Consequently, there has been recent interest in increasing flat grant portions of the formula (minimum aid) to assure state aid for everyone.

In the earlier percentage equalizing formulas, adjustments of the formula to match appropriations were made with a K factor (coefficient of state share) in the formula.

Local Share: After local budgets are approved by the voters, state aid is subtracted and the remainder is billed out through local property taxes. There are no maximum or minimum expenditure limits. State standards for education and for facilities provide some weak *de facto* minimum limits. Maximums are controlled by what the local public will support and by some limitations on state construction aid.

Weighting by Grade Level: Student count adjustments: A regular elementary student is weighted 1.0. The ADM is calculated over a 2-year period to protect districts from financial instability for rapidly growing or declining student population numbers. Weights:

Secondary	1.25
Poverty (count based on food stamps)	1.25
Transportation (population density)	1.0385 - 1.0714

Adjustments for Special Factors: There are a number of adjustments built into separate parts of the general state aid formula:

Tax Rate Adjustments. The adjusted gross income (AGI) per exemption is used to calculate an adjustment which may increase or decrease the base foundation rate. Both the total adjusted gross income and the number of exemptions claimed are calculated by the Tax Department based on Vermont State Income Tax Returns. Essentially, adjusted gross income per exemption is like a per-person measure of income. Each district's AGI per exemption is "indexed" (16 VSA 3495) around the statewide average. For each unit of index, the tax rate will be adjusted either up or down by 27 cents.

Income per Exemption	*Income Index*	*Rate Adjustment*
equal to the state average	1.0000	0.00 cents
one-half of the state average	0.5000	minus 13.5 cents
twice the state average	2.0000	plus 27 cents

The average effect is about 3 cents. Considering that the foundation tax rate is $1.17 for FY 93, the overall effect of income in the distribution formula is quite weak. A municipal overburden tax rate adjustment was repealed in FY 1988.

Supplemental Aid Adjustments. Supplemental aid is available for districts which receive some degree of state aid and who spend more than 50% above the state foundation figure. However, only $599 thousand out of $148.4 million was spent for this purpose in 1990-91.

Construction aid and bonded indebtedness aid are also administered through the general state aid formula but will be addressed separately below.

Districts Off Formula: Of the 254 towns, 137 received formula aid. There are 3 categories of "off the formula" towns:

No aid received — "Gold Towns." Districts whose local available resources (as judged by the formula) are 1.5 times greater than their formula needs are called gold towns and receive no state aid except for prior financial commitments on bonded indebtedness incurred before the current formula came into being. As the foundation tax figure increases, more towns find themselves in the no aid category. There were 39 "gold towns" in 1990-91.

Minimum Aid. All districts except for gold towns are eligible for minimum aid. For 1990-91, this minimum was $150 per pupil. For 1992-93, the minimum aid was reduced to $100 per pupil. In 1990-91, there were 25 towns whose only general aid was due to minimum aid.

Hold Harmless. A pure hold harmless has now been phased out as 1990-91 was the fourth year of the new foundation formula. A *"maximum predictable loss"* serves the purpose of a hold-harmless. If a town's position on the formula deteriorates, state aid can only decrease at a maximum loss figure. For 1990-91, this figure was set at $100 per pupil. There were 50 towns operating under maximum loss provisions in 1990-91. In 1992-93, the maximum loss figure increased to $150 per pupil. This increase in maximum lost coupled with an increase in the foundation tax rate was harmful to a number of districts.

III. TRANSPORTATION

Description: Transportation is subsidized in the general state aid formula with a categorical multiplier which is based on population density. The ADM student count in the formula is increased according to the number of students per square mile who are transported. The system is organized as follows:

Sparsely settled	1.0714	3 or fewer students per square mile.
Moderately settled	1.0500	more than 3 but no more than 9
Densely settled	1.0385	more than 9 students per square mile

In 1990-91, there were 73,000 students transported of a student population of 99.6 thousand.

Except for vocational education (see Section X) and the portion attributable in the general state aid formula, there are no direct subsidies for transportation. Purchase, operations and maintenance are local matters.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

Funding in 1990-91: $4.0 million (1.8% of total state school aid)

Description: Capital outlay is funded separately from the general state aid formula. To be eligible for state construction aid, a local school district must develop educational specifications justifying the need for construction. A licensed engineer or architect must be employed and the building project must also be approved by the local voters.

State and Local Shares: Upon approval by the voters, the state department of education, and the various concerned state agencies (environmental protection, fire and safety, labor and industry, historical preservation, etc); the project is eligible for state payment of 15% of the total cost upon approval and before ground is broken. Upon certification of the completion of the project and inspection by the various concerned agencies, an additional 15% of the total cost is paid at that time by the state(16 VSA 3447)

Financing of capital costs may include the use of local sinking funds or bonded indebtedness if they have been authorized by vote of the town. The state operates a bond bank which combines issues from various schools and state construction projects which allows for competitive interest rates.

Debt Service

Funding in 1990-91: $6.7 million (3.0% of total state school aid)

Description: Capital construction approved by the state is also eligible for debt service aid at the same percentage share as is provided to the local district in the general state aid formula. These funds are distributed through general state aid payments. In 1990-91, the state paid $6.7 million in support of capital debt service. Slightly over half of these obligations were carried over from the previous formula which provided for a flat 20% of debt service expenditures.

School districts may operate sinking funds or take out loans upon authorization of the voters. Multi-year financing is otherwise prohibited. Long term debt is almost exclusively for school transportation, capital construction, retrofitting or building repairs.

V. TEACHER RETIREMENT

Funding in 1990-91: $15.0 million (6.8% of total state school aid)

Description: The state teacher retirement program operates out of the Office of the State Treasurer. Prior to 1989, the system was paid out of state revenues which were not shown in either the state or local education budgets. Beginning in 1989, virtually all teachers and eligible administrators began contributing 2.75% of their pay to the program. No local district school contribution is made to the state retirement program.

Social security contributions are paid by the employee and are matched by the local district. The state does not contribute to FICA.

Various small transition programs still exist within the retirement programs. Certain employees near retirement did not enter the contributory plan while members of a much earlier contributory plan (which has now been phased out) were able to convert their investments into a single deposit investment account operated by the state.
(16 VSA, Chapter 55).

VI. SPECIAL EDUCATION

Funding in 1990-91: $34.9 million (15.7% of total state school aid)

Description: In 1988, a fundamental reform of special education funding took place (see 16 VSA, part 5). Grants to local districts were divided into three categories:

1. *Mainstream Block Grant*. The purpose of this grant is to provide a stable flow of funds into the districts. It also allows greater flexibility in the use of personnel which lets local districts serve students who have needs but are not on Individual Education Plans. The flat grant nature of this grant was also to discourage over classification of students. In 1990-91, $9.9 million was allocated for block grants. Local shares were determined on total ADM counts rather than IEP counts. The total appropriation was based on a state share of 60% of the average special education salaries.

2. *Extraordinary Services Reimbursement*. This category is to protect local districts from catastrophic costs of high needs students. Once the individual student related cost exceeded 3 times the foundation cost, then the state pays 90% of all eligible costs attributed to that particular child. Extraordinary costs in 1990-91 were budgeted at $5.8 million.

3. *Intensive Services Reimbursement*. On a quarterly basis, expenses are reimbursed on a sliding scale based on the wealth of the district as determined by property values. Intensive services are where the costs run between 1 and 3 times the foundation cost for a particular child. The sliding scale is adjusted each year to provide for a statewide average of 50% reimbursement. In 1990-91, $9.4 million was allocated for intensive services reimbursements.

Other major funding areas in special education were for wards of the state ($5.2 million) and early education ($4.1 million). Numerous smaller statewide programs such as visual, hearing, handicapped, support for homes, etc. added $1.5 million.

For FY 93, the state is attempting to maintain their 50% overall share of special education funding although the actual share of costs is estimated to be at 46.2%.

Local Share: Local Districts provide all other costs.

Extent of Participation: All districts

VII. COMPENSATORY EDUCATION

The year 1990-91 saw the quick birth and death of a compensatory education program. As noted previously, a categorical student count weighting factor of 1.25 for students in poverty has been a part of the foundation formula since its inception in 1987-88.

Coupled to the appropriations bill in that year was a proviso that the funds generated by this additional weighting unit (covering 9.5% of Vermont students) must be specifically allocated and accounted for separately as compensatory education expenditures. As this move did not represent "new" money but only increased restrictions and bureaucracy on previously allocated funds, the effect was the opposite of that intended. Funds would have been diverted from children and services and into paperwork. Facing near universal opposition, the bill was immediately repealed in the beginning of the following session.

VIII. GIFTED AND TALENTED EDUCATION

Other than the Governor's Institutes which provide accelerated summer programs in science, mathematics, government and the arts; there were no funds allocated for gifted and talented education. The institutes received an appropriation of $52.5 thousand. A consultant in the state department of education was funded in the department budget whose primary responsibility was to encourage gifted and talented education.

IX. BILINGUAL EDUCATION

There were 550 students who were served as being non-proficient in English. The program is funded through special education allocations.

X. OTHER CATEGORICAL PROGRAMS

Reinventing Schools Grants

The state appropriated $75,000 for grant awards to schools engaged in fundamental educational restructuring. There have been some private monies contributed as well. Eleven schools have received competitive grants for educational restructuring purposes.

Vocational Education

Funding in 1990-91: $9.9 million in state funds (4.5% of total state school aid)
$16.5 million state and local (excluding federal)

Description: State funds are made available to support a network of 16 regional vocational centers whose services are available to all secondary schools. Funds are allocated for overhead and maintenance and for partial reimbursement of tuitions paid by the local school districts. Host and non-operating districts receive 20% tuition reimbursement while sending districts receive 50% reimbursement. Professional salaries are subsidized by the state at varying ratios according to the particular position. Transportation is reimbursed at 50% up to a capped mileage rate. A state equipment replacement fund provides assistance in obtaining new equipment. Five percent of overhead costs are reserved for competitive incentive grants, although no money was allocated for this program in 1990-91. (16 VSA, Chapter 37)

Adult vocational programs are part of the vocational budget. Adult vocational students who do not have a high school diploma are reimbursed at 50%. Space available vocational adult education is reimbursed by the state at 40%. A sum of $366 thousand was budgeted in 1990-91. Vermont's educational entitlement law states that all citizens may receive a program leading to a high school diploma regardless of age. Thus, the remaining share for adult vocational students is billed to the local districts.

The adult diploma, as contrasted with the adult vocational, program was authorized at $100,000 in the 1990-91 school year.

Extent of Participation: All school districts. Secondary enrollment = 4094. Adult (day and night) = 4818

Adult Basic Education

Funding for Adult Basic Education was $2.3 million in 1991-92. The program is administered through the Division of Vocational and Adult Education.

Corrections Education

A grant of $175,000 was provided in the general fund to partially subsidize the provision of education in correctional facilities. (28 VSA 120)

Driver Education

High schools received grants totaling $553 thousand for driver education during 1990-91.

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Vermont has the oldest voucher system in the country. The program was established in the nineteenth century as a matter of convenience for educating youth rather than as an ideological based reform effort. There are 2 categories:

The Quasi-Privates. There are 5 private academies which have historically served as the designated high schools for their regions. They have recently come into compliance with state education standards and receive publicly paid tuition vouchers from the towns in a manner similar to a union high school.

Non-Operating School Districts. Non-operating school districts not affiliated with a union school or joint school have the option of tuitioning students to private schools.

- There are 14 non-operating elementary districts out of the 245 towns who have the option of offering tuition to private schools upon vote of the public.
- There are 95 towns who are not affiliated with a union or regional high school.

Students may choose between public and non-religious private secondary schools both inside and outside of the state. Of the students in these 95 towns, 36% (2761 students) chose a private school or one of the quasi-private academies noted above.

There are no other payments for private schools.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: $4.2 million (1.9% of total state school aid)

Description: The Essential Early Education requirement is set forth in 16 VSA 2948 and is administered through special education. However, services are not restricted to special education eligible children. Grants to each school district are determined on the estimated number of children aged 3 to 5 residing in the district. Services are provided through local school districts and are focused on both home based and center based activities.

State Share: Allocated funds noted

Local Share: Local districts are obligated to pay all costs not paid by the state grant.

Extent of Participation: All districts

XIII. LOCAL SCHOOL REVENUE

All local revenues are from the local property tax. Total local property taxes assessed in 1990-91 was $516.0 million of which $347.9 million were for schools. This 67% share of local property taxes has been a relatively stable proportion. Local property taxes accounted for 56.7% of all local education revenues when state, federal, grants, endowments and all other revenue sources were considered.

State aid is based on the fair market value of property as determined by recent sales. Properties are divided into several categories (residential, vacation, residential with acreage, woodlands, industrial, etc.) and the fair market value is determined for each category. If there have been insufficient sales within a category and/or within a town to determine a fair market value, then sales from surrounding and comparable towns are used in the calculations.

Towns whose listed real values depart from the market values by more than 20% may be assessed a *listing penalty*. The amount of the penalty increases as the difference between listed and market values increases up to a maximum penalty of 25% of the town's state aid (16 VSA 3475).

In 1990-91, a new type of waiver was put into place for towns who were experiencing extremely rapid inflation in property values. This waiver allowed districts to only have to reassess once every 5 years if the town's internal variation was not extreme (i.e., a coefficient of dispersion of less than 20). A waiver can also be granted based on the town's reasonable progress toward a reappraisal.

Annually, the state compares market and listed values and notifies local districts prior to January 1. Local districts have 30 days in which they may appeal.

Property Tax Credits

None of the property tax relief programs show state or local monies as a revenue or expenditure in education budgets. There are 3 primary tax credit programs:

Property Tax Rebate. The major property tax credit program is the tax rebate. Any person who pays more than 5% of their income on property taxes is entitled to a rebate of all taxes paid above this figure. Applications for refunds are done through filing state income tax returns.

Payment in Lieu of Taxes. There is no PILT program for state owned property although there is a strong interest in such programs. A payment in lieu of taxes is available for federal property exempt from taxation. The payments are a small portion of local revenues and are primarily due to national forest land.

Current Use Program. This program allows property owners to be taxed at the value of the property for which it is currently used rather than at the market value of the land. Certain farm and forest lands may be of far greater value as developed land. This program was established to protect the environment, the tourist industry and the property owner. Timelines and restrictions apply to prevent the exploitation of this program.

XIV. TAX AND SPENDING LIMITS

Town Meetings

All local school districts must annually have their budgets approved by the voters. Generally, the budget is voted off the floor at the Town Meeting on the first Tuesday in March. There has been a trend toward holding school town meetings in May as the legislature does not have state aid figures determined by the time that town meetings are held. There has also been a trend toward towns authorizing the budget to be voted by "Australian Ballot" after the debate at town meeting.

Union districts must also hold an annual meeting and the citizens must vote the budget. Supervisory unions and joint operating district budgets are not voted. Vocational center budgets are voted by the host district school board with advice from the regional vocational advisory board.

Bond Issues

Bond issues must be approved by the voters either as a separate article or in a special meeting of the citizens called for the purpose of authorizing the bond vote.

Limits

There are no statutory or constitutional limits on expenditures.

Budget Deficits

School districts may not intentionally adopt or operate under a deficit budget. If an unanticipated deficit develops, it must be repaid in the following year. Voters may approve a sinking fund or long term indebtedness by specific vote of the public. Virtually all towns annually authorize the school board to borrow short term monies in anticipation of receipt of state aid and/or property tax revenues.

XV. EARMARKED STATE REVENUE

There are no revenue sources earmarked for education.

VIRGINIA

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I. GENERAL BACKGROUND

State

- In 1990-91, 95% of state funds allocated for K-12th grade education supported the Standards of Quality. The Standards of Quality, adopted by the Board of Education, represent the minimum requirements for a high quality program in all school divisions across the Commonwealth. The current methodology for calculating the cost of the Standards of Quality became effective in the 1988-89 school year.
- The majority of state funds provided for education are appropriated from state general funds. In 1990-91, the state general fund contributed over 80% of the total state aid provided for public education; revenue from the one cent sales tax accounted for 19.7% of aid to public education.
- The state share of the cost for regular day school operations has remained relatively constant over the last 10 years. In 1980-81, the state provided funds for 45% of the total operating costs. This percent increased to 47% for the 1985-86 through the 1987-88 school years. In 1989-90, the state share slipped to 45%.

Local

- There are 137 fiscally dependent local school divisions in Virginia. The local school boards do not have taxing authority. In addition, there is no local tax source earmarked specifically for public education. The local governing bodies are responsible for approving the school budgets submitted by the local school boards.
- The major sources of local revenue come from real estate tax (47%), tangible personal property tax (14%), local sales tax revenue (8%) and other miscellaneous taxes.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$2,250 million
Grants in Aids*	1,971 million	
Teacher Retirement Contributions	167 million	
FICA	112 million	
Total Local School Tax Revenue (1989-90 data)		2,584 million
Total Combined State and Local Revenue		4,834 million
State Financed Property Tax Credits Attributable to School Taxes	0	

* Includes $444.4 million in earmarked revenue generated by the one cent sales tax (Section XV).

II. THE BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1990-91: $1,249.9 million (55.6% of total state school aid)

Nature of Program: Minimum foundation program. The Board of Education is responsible for adopting the Standards of Quality (SOQ). The Standards of Quality represent the minimum requirements for a high quality program in all school divisions across the Commonwealth.

Units: Pupils. Average daily membership.

Local Fiscal Capacity: Composite Index. The Composite Index is a measure of ability to pay that reflects the true value of real estate property (local property assessment amounts adjusted by the state to reflect true value of sales), local taxable retail sales, and uses adjusted gross income as a proxy for all other local revenue sources. The Composite Index is the weighted sum of the Average Daily Membership Composite Index and the Per Capita Composite Index. The Composite Index is then multiplied by the average local share to determine the Local Composite Index. In 1990-91, the statewide average local share is 47%.

The Average Daily Membership Composite Index equals:

$$.5\left(\frac{\text{Local True Value of Real Property / Local ADM}}{\text{Total Local True Value of Real Property Statewide / Total ADM Statewide}}\right) +$$

$$.4\left(\frac{\text{Local Adjusted Gross Income / Local ADM}}{\text{Total Adjusted Gross Income Statewide / Total ADM Statewide}}\right) +$$

$$.1\left(\frac{\text{Local Taxable Retail Sales / Local ADM}}{\text{Total Taxable Retail Sales Statewide / Total ADM Statewide}}\right)$$

The Per Capita Composite Index equals:

$$.5\left(\frac{\text{Local True Value of Real Property / Local Population}}{\text{Total Local True Value of Real Property Statewide / State Population}}\right) +$$

$$.4\left(\frac{\text{Local Adjusted Gross Income / Local Population}}{\text{Total Adjusted Gross Income Statewide / State Population}}\right) +$$

$$.1\left(\frac{\text{Local Taxable Retail Sales / Local Population}}{\text{Total Taxable Retail Sales Statewide / State Population}}\right)$$

For 1990-91, the Local Composite Index Equals:

$$[(.6667 \times \text{ADM Composite Index}) + (.3333 \times \text{Per Capita Composite Index})] \times .47$$

The local composite index is capped at .80 for localities with high ability to pay, ensuring the state provides at least 20% of the cost of the foundation program for each pupil. In 1990-91, the local composite indices ranged from .1857 to .8000. Therefore, the state share ranged from 81.43% to 20% of the calculated SOQ cost.

How Formula Operates: The estimated cost of the programs required by the SOQ are calculated for each school division. The calculated cost of these programs are shared between the state and the local school divisions.

1. A per-pupil amount is calculated for each school division. This per-pupil amount includes costs for instructional positions and support. The required number of instructional positions is calculated for each division based on the actual student enrollment on September 30th and the SOQ staff requirements. Required instructional positions are calculated for each school/grade and then consolidated to the division level.

Support costs are calculated based on the prevailing statewide cost. Support costs include such things as support salaries for non-instructional professional and non-professional personnel, non-personnel costs, fringe benefits, maintenance, and fixed charges.

2. The per-pupil amount is multiplied by the March 31 ADM to determine total cost for each school division. The March 31 ADM is equal to the total daily enrollment for the preceding 7 months divided by the number of school days.

3. The local school division's share of the one cent sales tax revenue is subtracted from the total cost.

4. The remaining cost is multiplied by the local composite index to determine the local share of the cost. The balance of the remaining cost is the state share of the calculated SOQ cost.

State Share: The state share is equal to the calculated total cost of the SOQ for the district minus district revenues received from the 1 cent sales tax and the district local share of the SOQ.

Local Share: The composite index is used in the basic aid formula to determine each locality's portion of the SOQ basic operating cost. The local share is equal to the calculated total cost of the SOQ for the district minus district revenues received from the 1 cent sales tax multiplied by the local composite index. Local school divisions are required to fund the local share of the calculated SOQ cost from local funds. In addition, cost for programs "above" the requirements of the Standards of Quality are funded entirely from local funds.

Weighting by Grade Level: None.

Adjustments for Special Factors: The per-pupil cost for the school divisions in the Northern Virginia area (near Washington D. C.) includes a cost of competing factor to reflect the higher cost of living for that area. The total SOQ costs are multiplied by 12.89% for 9 northern Virginia districts. This amount is then divided by the number of pupils in these districts.

Districts Off Formula: None.

III. TRANSPORTATION

Funding in 1990-91: Beginning with the 1990-91 school year, pupil transportation costs were included in the school division's basic aid payment.

Description: Pupil transportation costs are included in the basic aid cost calculated for each school division. Costs are calculated for regular pupil transportation, exclusive schedule for handicapped pupils transportation, special arrangement for handicapped pupils transportation and bus replacement costs. Transportation costs are based on 2 factors: (1) land size measured in square miles broken down into 2 categoriessmall (less than 80 square miles) and large (more than 80 square miles) and (2) the number of students transported. The costs are calculated based on the 1987-88 prevailing per-pupil costs for each type of transportation.

Regular Pupils:

	Number of Pupils Transported		
	Low Third (1 - 1,860)	Medium Third (1,860 - 4,600)	High Third (4,601 +)
Area of Division			
Small	$97.02	$143.86	$143.86
Large	211.89	174.08	144.51

Exclusive Schedule Pupils:

	Number of Pupils Transported		
	Low Third (1 - 30)	Medium Third (31 - 85)	High Third (86 +)
Area of Division			
Small	$1,603.99	$1,0445.01	1,0445.01
Large	3,034.04	2,078.35	1,512.16

Special Arrangement: Statewide Costs / $1,496.12

State and Local Shares: The state share of these costs are determined based on a locality's composite index of local ability to pay. The local school district assumes all remaining cost.

Extent of Participation: All 137 local school divisions.

IV. CAPITAL OUTLAY AND DEBT SERVICE

State school aid is not provided for capital outlay financing. The local school divisions are responsible for controlling, erecting, furnishing, equipping, and maintaining necessary school buildings and appurtenances. Pursuant to the Public Finance Act, Virginia's counties, cities and towns have the authority to issue general obligation debt to finance public school construction. Cities and towns may issue general obligation bonds without a referendum. The total Debt outstanding, however, may not exceed 10% of the assessed value of real property in the locality. Counties are not subject to any ceiling, but have to submit the issue to referendum, for voter approval.

There are 3 methods by which localities can issue general obligation debt for public school construction purposes:

1. *Local Borrowing*. School districts arrange the sale of debt independently in either the public or private markets;

2. *Literary Fund Loan*. The Literary Fund is a permanent and perpetual school fund established by the Constitution of Virginia in 1810 and is used by local school divisions as a source of low-interest loans for the purpose of "erecting, altering, or enlarging school buildings." The Board of Education has set the maximum loan amount available for a single project through the Literary Fund at $2.5 million. An additional $1 million is available, however, if the project will result in the closing of 2 or more school buildings; or an additional $2 million, if projects results from the consolidation of 2 or more school divisions. The interest rate charged to local school divisions is determined from the school division's composite index of local ability to pay and ranges from 2% to 6%.

3. *Virginia Public School Authority*. The Virginia Public School Authority, administered by the Authority's Board of Commissioners, is a bond bank which provides low-cost financing of capital projects for public schools in Virginia localities. The objectives of the VPSA loan program are to provide market access to those communities which do not have ready access and provide low-cost financing to communities needing assistance. The VPSA currently issues in excess of $100 million in VPSA pooled and stand-alone bonds per year.

V. TEACHER RETIREMENT

Teacher Retirement

Funding in 1990-91: $167.3 million (7.4 % of total state school aid)

Description: The state provides funds to local school divisions to assist in the cost of the teacher retirement program. The retirement cost, shared between the state and local school divisions, is calculated based on the number of instructional positions required by the Standards of Quality for each school division and a statewide prevailing salary amount. In 1990-91, the state distributed funds based on an 11.76% retirement rate. These funds are paid directly to the district. Teachers pay 5% of salary towards retirement. Some districts pay on behalf of the teachers.

State and Local Shares: The state share of the calculated retirement cost is determined according to a locality's composite index of local ability to pay. In 1990-91, the state share of the employee benefit cost, on average, was 75%. The average state share of these costs is scheduled to be reduced to 55% in 1992-93. At the same time, however, the average state share for all other Standards of Quality accounts is scheduled to increase from 53% in 1990-91 to 55% in 1992-93.

The local school divisions are responsible for all additional costs. Additional costs are for retirement for those positions employed by the local school divisions in excess of the number of instructional positions required by the Standards of Quality and on the portion of salaries higher than the SOQ salary allotments.

Extent of Participation: All 137 local school divisions.

Social Security

Funding in 1990-91: $111.9 million (5.0% of total state school aid)

Description: The state provides funds to local school division to assist in the cost of social security payments. The methodology used to calculate the social security cost and the state and local share of the calculated cost is identical to the teacher retirement payment. In 1990-91, the state distributed funds based on a 7.65% social security rate.

Extent of Participation: All 137 local school divisions.

Group Life Insurance

Funding in 1990-91: $4.3 million (less than 1.0% of total state school aid)

Description: The state provides funds to local school division to assist in the cost for group life insurance payments. The methodology used to calculate the group life insurance cost and the state and local share of the calculated cost is identical to the teacher retirement payment. In 1990-91, the state distributed funds based on a .288% group life insurance rate.

Extent of Participation: All 137 local school divisions.

VI. SPECIAL EDUCATION

Funding in 1990-91: $134.6 million (6.0% of total state school aid)

Description: There are 2 separate programs for special education. The first program, Special Education SOQ payments, provides assistance to local school division for the salary cost of required special education instructional positions. In 1990-91, the state share of this program was $98 million. The second program, Special Education categorical payments, provides assistance for the following program areas: homebound instruction, private and regional program tuition costs, inservice, vocational education for handicapped students, and educational programs located in hospitals and detention homes. In addition, funds (Interagency Assistance Funds) are provided to support the direct instructional cost of handicapped children who have been placed in special education facilities, residential or day schools, by public agencies authorized to do so. In 1990-91, the state share of the special education categorical payments was $ 36.6 million.

State Share: SOQ Payments: The number of required special education instructional positions are calculated for each school division utilizing a special education child count provided by the local school divisions and class size standards for each handicapping condition established by the Board of Education. The state/local share of the salary cost for the calculated number of required instructional positions is determined according to a locality's composite index of local ability to pay.

Categorical Payments:

The state share of the categorical accounts are as follows:

• Homebound	43%
• Tuition costs	based on the composite index
• Vocational Education	100%
• Inservice	100%
• Interagency Assistance Funds	100%

Local Share: The local school divisions assume the remaining cost of these programs.

Extent of Participation: All 137 local school divisions.

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $32.5 million (1.4% of total state school aid)

Description: The Standards of Quality require local school divisions to provide remedial programs in grades K-12 to reduce the number of students who score in the bottom national quartile on tests which currently form the Virginia State Assessment Program and for those who fail the state's 6th grade Literacy tests. The state distributes funds based on 9 instructional positions per 1,000 students who scored in the bottom national quartile. In addition, local school divisions received funds based on the number of students participating in special remedial programs in summer school sessions. In 1990-91, funds were distributed for the summer program based on a $283 per-pupil amount.

State and Local Shares: The cost for 9 instructional positions per 1,000 students scoring in the bottom national quartile is shared between the state and local school divisions according to a locality's composite index. Also, the state/local share for the summer school sessions are determined based on a locality's composite index.

Extent of Participation: All 137 school divisions participate in the school year remedial programs; 119 local school divisions operated special remedial programs during summer school sessions.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $15.7 million (less than 1.0% of total state school aid)

Description: The Standards of Quality state that local school divisions are responsible for the early identification of gifted students and enrollment of such students in differentiated instructional programs. The state provides an additional payment for Gifted Education programs based on the cost of one instructional position per 1,000 students.

In addition, the state provides funds for the Governor's School programs. This program is listed in Section X. Other Categorical Programs.

State and Local Shares: The cost of 1 instructional position per 1,000 students is shared between the state and local school divisions according to a locality's composite index of local ability to pay. Local school divisions are responsible for all additional cost for their Gifted Education programs.

Extent of Participation: All 137 local school divisions.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $ 0.8 million (less than 1.0% of total state school aid)

Description: The state provided aid to the local school divisions for English as a Second Language (ESL) programs for the first time in the 1990-91 school year. ESL enrollments have been steadily increasing. In 1985, 9,102 students with limited English proficiency were enrolled in ESL classes across the Commonwealth. By 1991, the number had grown to 15,510, an increase of 66% over 6 years. These students now represent over 100 different languages.

State and Local Shares: The cost of 9 instructional positions per 1,000 students for whom English is a second language is shared between the state and local school divisions according to a locality's composite index of local ability to pay. In phasing in the support of this program, the state provided 60% of the calculated state share in 1990-91 school year. This percent increased to 70% for the 1991-92 school year. The local school districts assume the remaining costs of these programs.

Extent of Participation: 85 local school divisions.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

Funding in 1990-91: $43.6 million (2.0% of total state school aid)

Description: There are 2 separate programs for vocational education. The first program, Vocational Education SOQ, provides assistance to local school divisions for the salary cost of required vocational education instructional positions calculated above the basic standards. In 1990-91, the state share of this program was $ 34.6 million. The second program, Vocational Education categorical funds, provides assistance for the following programs: 1) extended contracts, 2) equipment and 3) adult education. In 1990-91, the state distributed $9 million for these programs.

State and Local Shares: SOQ payments: The number of additional instructional positions are calculated for each school division based on student enrollment data provided by the localities. The state/local share of the salary cost for the calculated number of required instructional positions is determined according to a locality's composite index of local ability to pay.

Categorical payments:

The state share of the categorical accounts are as follows:

• Extended Contracts	44%	
• Equipment	4%	(does not include federal funds)
• Adult Education	25%	

Extent of Participation: All 137 local school divisions.

Dropout Prevention Programs

Funding in 1990-91: $9.1 million (less than 1.0% of total state school aid)

Description: Beginning with the 1989-90 school year, state funds were distributed to local school divisions to implement a statewide dropout prevention program. Localities were required to submit proposals for these dropout prevention grants. The local school divisions were ranked for eligibility to receive these funds through a formula which weighted the number of potential dropouts (determined by the percent of 8th graders scoring in the national bottom quartile on the state assessment tests).

State and Local Shares: State payments were derived by multiplying the estimated number of at-risk children by $184 ($206 for Planning District 8 schools where a cost of competing adjustment is provided). Local school divisions were required to provide an additional $122 per at-risk student ($137 in Planning District 8 schools) for these dropout prevention programs.

Extent of Participation: 85 local school divisions.

Enrollment Loss

Funding in 1990-91: $3.8 million (less than 1.0% of total state school aid)

Description: An additional state payment equal to the state share per pupil of Basic Aid for each locality for a percentage of the enrollment loss from the 1989-90 school year to the 1990-91 school year.

State and Local Shares: The percentage of the enrollment loss upon which the state payment was made ranged from 80% for those localities with a composite index less than .40 to 60% for those localities with a composite index over .60.

Extent of Participation: 53 local school divisions.

Supplemental State Payments

Funding in 1990-91: $10.3 million (less than 1.0% of total state school aid)

Description: An additional state payment for school divisions which received less funds in 1990-91 than in 1989-90 from the Standards of Quality accounts.

State and Local Shares: School divisions received an established percentage of the reduction in state funds based on the locality's composite index. The percentage ranged from 80% for those localities with a composite index less than .40 to 60% for those localities with a composite index over .60.

Extent of Participation: 12 local school divisions.

Textbook Payments

Funding in 1990-91: $5.3 million (less than 1% of the total state school aid)

Description: An additional state payment to local school divisions for the local share of the costs for textbooks.

State and Local Shares: Funds are distributed based on $24.52 per pupil (ADM) times the local share of the composite index. School divisions operating a free textbook system are reimbursed for 75% of the local share of the calculated textbook costs and all other school divisions are reimbursed for 25% of the local share of the calculated textbook cost. (Note: The state share of the prevailing per-pupil textbook cost is included in the basic aid payment. These additional funds are provided to encourage local school divisions to operate a free textbook system.)

Extent of Participation: All 137 local school divisions receive funds for this program; 18 school divisions operate a free textbook system for all grades.

School Food Payments

Funding in 1990-91: $5.8 million (less than 1.0% of total state school aid)

Description: State payment is made as a required match to federal revenues. Funds are allocated based on the actual number of meals served.

Extent of Participation: All 137 local school divisions.

Foster Children Payments

Funding in 1990-91: $4.8 million (less than 1.0% of total state school aid)

Description: An additional state payment for the prior year's local operations costs, as determined by the Department of Education, for each pupil not a resident of the local school division providing their education who has been placed by a Virginia agency, whether state or local, which is authorized under the laws of the Commonwealth to place children in: (1) foster care or other such custodial care within the geographical boundaries of the school division; or (2) an orphanage or children's home which exercised legal guardianship rights; or (3) a child-caring institution or group home.

Extent of Participation: 101 school divisions.

Electronic Classrooms

Funding in 1990-91: $2.2 million (less than 1.0% of the total state school aid)

Description: The Electronic Classroom program created a network for delivery of credit courses and staff development programs to address diversity/disparity problems in schools by interconnecting schools statewide to school-based course production sites. State funds are provided to 3 local school divisions to hire teachers, aides and technicians to operate the electronic classrooms. In 1990-91, these classrooms offered statewide (via dual channel satellite broadcasts and open broadcasts) the following high school credit courses: Latin I, Latin II, Latin III, Calculus, AP English, Japanese I, Honors Geometry, Science Seminars, and World Geography Seminars.

Extent of Participation: In 1990-91, over 1,000 students from 84 school divisions participated in these programs. In addition, over 5,000 teachers participated in credit courses utilizing this system.

Governor's School Programs

Funding in 1990-91: $2.9 million (less than 1.0% of total state school aid)

Description: Governor's Schools provide gifted students academic opportunities beyond those normally available in the students' home schools. There are 3 types of Governor's Schools: the summer residential schools, the summer regional schools, and the academic year schools.

Extent of Participation: In 1990-91, approximately 5,000 students from across the state participated in the Governor's School program.

Adult Education Payments

Funding in 1990-91: $1.1 million (less than 1.0% of total state school aid)

Description: State funds are distributed to local school divisions to reimburse general adult education programs. Priority is given for the following courses: 1) high school credit 2) GED preparatory and 3) English as a second language.

Extent of Participation: 80 local school divisions

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

Funding in 1990-91: Included in Special Education funds.

Description: State funds are provided for the required number of special education preschool teachers. The number of required preschool instructional positions are calculated for each school division based on the actual number of special education preschool pupils identified by each school division.

State and Local Shares: The state/local share of the salary cost for these positions is determined according to a locality's composite index of local ability to pay.

XIII. LOCAL SCHOOL REVENUE

In Virginia, local school boards do not have taxing authority. In addition, there is no local tax source earmarked specifically for public education. County supervisors or city councils are responsible for setting tax rates for all purposes and for approving school budgets submitted to them by local school boards. The major sources of local revenue come from real estate tax (47%), tangible personal property tax (14%), sales tax (8%) and other miscellaneous taxes.

Real Estate Property Taxes. Real estate taxes are levied on residential, commercial, agricultural, and industrial properties. The basis of the tax is the fair market value of the property. General reassessments are required every two years for cities and every four years for counties and towns. However, several localities provide reassessments on an annual basis.

Tangible Personal Property Taxes. The tangible personal property tax is levied primarily on automobiles. The rate of tangible personal property taxation for automobiles varies by a locality's use of 3 variables: assessment value, assessment ratio, and nominal rate. Each locality is free to select the assessment method and ratio. The local commissioner of revenue determines which pricing guide is to be used to establish assessment values, and determines whether to use an automobiles' retail, trade-in, or loan value as the assessment base. Also, the local commissioner of revenue determines the assessment ratio. The local governing body, however, sets the tax rate.

The assessment ratio for property is 100%. The State Department of Taxation conducts periodic equalization studies, comparing market price to assessed values, to determine if an adjustment is needed.

XIV. TAX AND SPENDING LIMITS

There is no state imposed limit on the amount of funds localities can spend on public education.

Virginia is a "Dillon Rule" state, therefore, local governments have only the powers that are specifically granted by the legislature. Article X, Section 4 of the Virginia Constitution segregates property for local taxation only. In addition, counties and cities have specified and limited authority to levy taxes on certain licenses, the recordation of property, wills, lodging (transient occupancy) and the consumer use of utilities. Cities have the authority to levy excise taxes on cigarettes, admissions, meals, and travel campgrounds. Only a few counties, however, have the authority to levy these excise taxes, generally with additional restrictions. Cities can levy the meals taxes without restriction to rate; most counties can levy it only with public voter approval and only up to 4%.

As noted in Section IV, cities may issue general obligation bonds without a referendum. The total Debt outstanding, however, may not exceed ten percent of the assessed value of real property in the locality. Counties are not subject to any ceiling, but have to submit the issue to referendum, for voter approval.

XV. EARMARKED STATE REVENUE

One cent of the state's 4.5 cents sales tax is earmarked for school aid. In 1990-91, $ 444.4 million was distributed to the local school divisions from this revenue source. These funds are distributed to the local school divisions based on a school age census. This amount represents 19.7% of the total 1990-91 state school aid. The balance of the state school aid comes from the state general fund.

WASHINGTON

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I. GENERAL BACKGROUND

State

- The state share of local-state general fund revenue for public schools has remained within the narrow range of 86.7% to 87.7% over the last 8 school years. The state share increased steadily during the 1970s, rising from 56.2% in 1973-74 to a high of 90.3% in 1980-81, before declining to its present level in 1982-83. These data exclude local non-tax revenues (e.g., investment earnings, food services, building rentals); when local non-tax income is included the state share drops to 84.0%.

- In response to a court ruling in 1977, Washington became the first state — other than Hawaii (which has no local school districts) — to assume the full responsibility of funding a basic education program for the state's K-12 public schools. A subsequent court decision in 1983 required the state to fully fund special programs for handicapped, bilingual, and remedial students, as well as transportation costs that are beyond the control of the district (e.g., student transportation made necessary due to hazardous walking conditions). The funding system attempts to equalize educational opportunities among school districts in the state along 3 dimensions: (1) program content, (2) staffing and compensation levels, and (3) revenues available from state sources.

- Since 1981-82, the state has severely curtailed the authority of local school boards to determine teacher compensation by prohibiting school districts from providing teachers with an average salary and benefits level that exceeds the amount set for the district by the state legislature. Beginning in 1987-88, the legislature allowed districts to exceed these salary limitations by issuing separate contracts specifying payment for additional time worked, additional responsibilities, or as incentives. During 1990-91, teacher benefits in all 296 school districts were allocated by a statewide formula. Teacher salaries in 262 of the state's 296 school districts are allocated by a statewide salary schedule; the other 34 districts are temporarily grandfathered with average salary levels that are between 0.1% and 6.3% higher than the amount that would be generated by the statewide salary schedule. Current state policy is to eventually place all 296 school districts on a statewide salary allocation schedule.

- A lawsuit filed in March 1991 (*Tronsen* v. *State of Washington*) seeks to (a) require the state to fully fund school construction costs, and (b) eliminate all local levies and bond issues unless they are statewide at a uniform rate.

Local

- The state has 296 fiscally independent school districts, 246 of which are K-12 districts.

Funding Summary, 1990-91

Total State Aid (All Programs)		$3,370 million
Grants in Aid	3,013 million	
Teacher Retirement Contributions	212 million	
FICA	146 million	
Total Local School Tax Revenue		748 million
Total Combined State and Total Local School Revenue[1]		4,332 million
State Financed Property Tax Credits Attributable to School Taxes[2]	55 million	

[1] Includes local non-tax revenue.

[2] Local effort assistance (see section X).

II. THE BASIC SUPPORT PROGRAM

Basic Education Allocation Formula

Funding in 1990-91: $2,482.6 million (73.7% of total state school aid)

Nature of Program: Full state funding for basic education. (Legal references: Revised Code of Washington (RCW) 28A.41.050, 28A.58.140, 28A.58.145, and 28A.58.150)

Units: Staff. Certificated instructional, certificated administrative, and classified.

Local Fiscal Capacity: None for basic support; equalized assessed property valuation for programs the state is not required to fund under its constitutional obligation.

How Formula Operates: The basic education allocation formula converts each school district's full time equivalent (FTE) basic education student enrollment data into (1) basic education certificated instructional staff units, (2) basic education certificated administrative staff units, and (3) basic education classified staff units. These staff units are then multiplied by the district's state-recognized basic education salary and benefits level to generate the district's allotment for basic education staff compensation. Allocations for nonemployee related costs (e.g., books, desks, heat) and substitute teachers are also made to each district.

1. *Certificated Instructional Staff Units.* The number of basic education certificated instructional staff (BECIS) units generated per 1,000 FTE students varied in 1990-91 by program (regular education, vocational education, and skills centers) and — within the regular education program — by grade level (K-3 and 4-12). In the regular education program, school districts were funded for 46 BECIS units per 1,000 FTE students enrolled in grades 4-12. Allocations for BECIS units in grades K-3 depended upon the actual basic education instructional staff-to-student ratio maintained by the district in these 4 grades. School districts with actual 1990-91 basic education instructional staff-to-student ratios below 49 per 1,000 were funded for 49 BECIS units per 1,000 FTE K-3 students enrolled; districts with actual 1990-91 ratios between 49 and 51 per 1,000 were funded at the actual ratio; districts with actual 1990-91 ratios above 51 per 1,000 were eligible for a maximum of 52.3 BECIS units per 1,000 FTE K-3 students if the district's actual 1990-91 ratio exceeded its 1989-90 ratio by at least 1.3 BECIS units per 1,000. In the secondary vocational program, school districts were funded for 53.9 BECIS units per 1,000 FTE vocational secondary students; those districts operating skills center programs (i.e., schools offering advanced vocational programs for students from a number of districts) were funded for 55.2 BECIS units per 1,000 FTE students enrolled in these schools.

2. *Certificated Administrative Staff Units.* The number of basic education certificated administrative staff (BECAS) units generated per 1,000 FTE students varied in 1990-91 by program only. In the regular education program, school districts were funded for 4.0 BECAS units per 1,000 FTE students. In the secondary vocational program, school districts were funded for 4.7 BECAS units per 1,000 FTE students and in the skills center program, school districts were funded for 4.8 BECAS units per 1,000 FTE students.

3. *Classified Staff Units.* School districts were funded for 16.67 basic education classified staff (BECLS) units per 1,000 students enrolled in regular education, secondary vocational, and skills center programs during 1990-91.

To determine each school district's allotment for staff compensation, its total number of BECIS units is multiplied by the district's state-determined salary and fringe benefits level for basic education certificated instructional staff, its total number of BECAS units is multiplied by the district's state-determined salary and fringe benefits level for basic education certificated administrative staff, and its total number of BECLS units is multiplied by the district's state-determined salary and fringe benefits level for basic education classified staff.

In 262 of the 296 school districts, the state determines the BECIS salary level by using a statewide salary allocation schedule to generate an amount for each of the district's BECIS, based on education and experience. The BECIS salary levels in the other 34 districts are temporarily grandfathered with average salary levels that are between 0.1% and 6.3% higher than the amount that would be generated by the statewide salary allocation schedule, with current state policy calling for all 296 school districts to be eventually placed on a statewide salary allocation schedule. The state legislature has set unique BECAS and BECLS salary allocation levels for each school district, with salary increases allocated as a flat dollar amount per staff member. This provides a higher percentage BECAS and BECLS salary increase to school districts with lower salary levels. In all school districts, the fringe benefits levels for BECIS, BECAS, and BECLS are a fixed percentage of the respective salary allocations.

In addition, in 1990-91, the state provided: (1) $2,955 per certificated and classified staff unit for insurance benefits; (2) $6,654 per basic education certificated staff unit for nonemployee related costs (e.g., books, desks, heat); (3) $12,679 per secondary vocational and skills center certificated staff unit for nonemployee related costs; and (4) $268 per certificated instructional staff unit for substitute teachers.

State Share: The state pays 100% of the costs.

The state disperses aid payments to school districts on the following schedule:

Month	*Percentage of Total Aid Dispersed*
September	9.0
October	9.0
November	5.5
December	9.0
January	9.0
February	9.0
March	9.0
April	9.0
May	5.5
June	6.0
July	10.0
August	10.0

Local Share: None.

Weighting by Grade Level: See How formula operates—Certificated instructional staff units.

Adjustments for Special Factors: Additional staff units are provided to school districts with: (a) "remote and necessary" K-8 schools that have FTE building enrollments under 100; (b) "remote and necessary" schools that include grades 9-12 with FTE building enrollment under 25; (c) no high schools and total FTE district enrollments under 180; and (d) not more than two high schools and total grades 9-12 FTE enrollments under 300 in each high school (alternative schools are excluded). Additional per pupil allocations are also provided to any school district with at least 250 students that experiences an enrollment increase of more than five percent in any calendar month.

Districts Off Formula: None.

III. TRANSPORTATION

Funding in 1990-91: $137.1 million (4.1% of total state school aid)

Description: Each school district electing to provide student transportation to and from school receives an allocation that is intended to fully fund transportation on school buses or contracted transit for all eligible students who actually ride the bus. The basic allocation formula is based on (a) the number of students transported and (b) the distance from the bus stop to the school (measured along a straight line between the two points). In 1990-91, school districts with school bus inventories of more than 10 buses received $170.83 for every rider whose bus stop was within 1 mile of their school, $191.81 for every rider whose bus stop was between 1 and 2 miles from their school, and so on. Riders with bus stops more than 17 miles from their school generated the maximum amount of $509.49. School districts with school bus inventories of 10 or fewer buses received an additional allocation of 5.3% to cover higher per bus maintenance costs. Further allocations are also made to school districts with fewer than 74 riders per school district bus (to compensate for higher per rider costs) and for special types of transportation vehicles (e.g., buses that serve the handicapped). (RCW 28A.41.505, 28A.24.055, and 28A.24.100)

The state also supports the purchase of new school buses and the rebuilding of existing buses. Beginning in September 1982, each bus has been placed on a depreciation schedule that generates an annual state payment to the district equal to a fraction of the bus' value. The schedule is designed to provide the district with sufficient funds to replace these buses when they reach the end of their useful lifetimes. (RCW 28A.41.540, 76.12.030, and 76.12.120; Washington Administrative Code (WAC) 392-142)

State Share: 100% of the formula-generated allocation—the state is required to fully fund transportation costs that are beyond the control of the district (*Seattle School District* v. *State*, 1983). In 1990-91, state allocations for pupil transportation covered 72.7% of pupil transportation net operating expenditures ($127.4 million of $175.2 million) and state allocations for transportation vehicles covered 24.3% of total expenditures for transportation vehicles ($9.7 million of $39.8 million).

Local Share: Local districts receive (if positive) or pay (if negative) the difference between the amount allocated by the state formula or bus depreciation schedule and the actual expenditures incurred in providing student transportation or buying new school buses. The local share of student transportation and bus purchases in 1990-91 was 36.2% ($77.9 million of $215.0 million).

Extent of Participation: 293 of 296 districts

IV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1990-91: $155.6 million (4.6% of total state school aid)

Since 1965, the common school construction fund primarily has been supported by the sale of renewable resources — mostly timber — from the 1.3 million acres of trust lands set aside to fund education at the time of Washington's admission to the union in 1889. During the mid-1980s, demand for new construction and modernization outstripped the ability of the trust lands to meet funding needs. In 1989 and 1990 the state legislature replenished the fund by authorizing the sale of $40 million in state bonds and transferring an additional $71 million from state's general fund to the common school construction fund during the 1989-90 school year. The state also transferred $86 million from the general fund to the school construction fund in 1990-91. Therefore, funding in this category for the 1989-91 biennium is far in excess of previous years (e.g., funding in 1988-89 was $104.4 million).

Description: Funding for capital projects is generated primarily through bond sales by local school districts, investment earnings on the proceeds from these sales, and through a state matching program for school construction and modernization. The basic allocation formula for new construction is based on (1) a 5-year projection of school district enrollment by grade level and by program, (2) the current school building space available in the district and the age of these facilities, and (3) a legislatively determined maximum allowable construction cost per square foot. In 1990-91, school districts were eligible for (a) 80 square feet of school building space per projected grade K-6 student, (b) 110 square feet per projected grade 7-8 student, (c) 120 square feet per projected grade 9-12 student, and (d) 140 square feet per projected handicapped, vocational-technical institute, or skills center student. If a school district's eligible space in grades K-8 (as determined by factors a, b, and d) exceeds the current K-8 school building space available in the district, then the district is eligible for state assistance to construct the appropriate amount of K-8 square footage (i.e., the difference between actual square footage and formula-generated square footage). The calculation is identical for grades 9-12 (except that factors c and d are used). In 1990-91, the maximum allowable construction cost was $75 per square foot of eligible construction space.

The common school construction fund also supports modernization of existing facilities. The same formula is used as above, except that only those buildings which are less than 20 years old are included as current school building space available in the district and the allowable cost per square foot was capped in 1990-91 at $60. (RCW 28A.41.143, 28A.47.801, 28A.51.010, 28A.58.035, 28A.58.435, 28A.58.441, 28A.58.441(2), 28A.58.461, 28A.65.400, 39.46, 84.52.052, 84.52.053, 84.52.054, and 84.52.056; WAC 180-25 and 180-33)

State Share: The state funding formula for school construction projects is designed to provide a district whose assessed property valuation per pupil is equal to the state average with state support for 50% of eligible construction costs. The state matching ratio is inversely proportional to school district assessed property valuation per pupil and ranges from 20% to 96%. The only exception to this formula is that the state pays 90% of eligible construction costs for all vocational-technical institutes, skills centers, facilities for other cooperative ventures among school districts, and buildings designed to promote school desegregation.

Local Share: Local districts are responsible for the difference between the amount generated by the state matching formula and the actual expenditures incurred. When additional costs — such as site acquisition — are included, the local share of school construction and modernization in 1990-91 was 74.3% ($422 million of $567 million).

Extent of Participation: All districts participate.

V. TEACHER RETIREMENT

Funding in 1990-91:	Retirement $211.7 million (6.3% of total state school aid) FICA $146 million (4.3% of total state school aid)

Description: As explained in section II (Basic Support Programs) and section VI (Special Education), the state allocation formulas convert each school district's enrollment data into state-funded staff units that are then multiplied by the district's state-recognized salary level to generate the district's allotment for staff salaries. To provide the employers' share of retirement system contributions for state-funded employees, both allocation formulas then multiply the district's salary allotments for certificated and classified staff by 13.28% and 7.61% respectively. School districts are responsible for the employers' share of retirement system contributions for any staff not funded by the state formulas. Employee contributions in 1989-90 ranged from 6.0% to 6.7% for certificated staff and from 4.7% to 6.0% for classified staff, depending upon retirement plan.

In a similar manner, the state formula provides the employers' share of social security tax payments (e.g., in 1990, the district's allotment for staff salaries was multiplied by 7.65% to yield the amount the district would receive to pay the employers' share of social security taxes for state-funded employees).

State Share: The state formula fully funds the employers' contribution to the Teacher Retirement System for all state-funded staff. In 1990-91, the amount sent to districts for this purpose covered 86.4% of employers' contributions to the system and 55.0% of the total amount paid to the fund by employers and employees.

Local Share: Local districts are responsible for the difference between the amount generated by the state allocation formulas and the actual employers' contribution. In 1990-91, the local school districts paid 13.6% of employers' contributions to the system and 8.6% of the total amount paid to the fund by employers and employees. The remaining 36.4% of teacher retirement system contributions were paid directly by school district employees.

Extent of Participation: All districts participate.

VI. SPECIAL EDUCATION

Funding in 1990-91: $308.0 million (9.1% of total state school aid)

Description: The special education allocation formula converts each school district's special education student headcount enrollment data into (a) special education certificated instructional staff (SECIS) units, (b) special education certificated administrative staff (SECAS) units, and (c) special education classified staff (SECLS) units. These staff units are then multiplied by the district's state-recognized salary and benefits level for special education staff to generate the district's allotment for special education staff compensation. Allocations for nonemployee related costs (e.g., books, desks, heat) and substitute teachers are also made to each district.

The number of staff units generated per 1,000 students varies by 14 handicapping conditions:

Handicapping Condition	*SECIS*	*SECAS*	*SECLS*
Preschool Handicapped	96.45	3.22	47.06
Behaviorally Disordered	95.89	3.20	34.56
Orthopedically Impaired	132.82	4.43	49.08
Health Impaired	95.33	3.18	34.34
Specific Learning Disabled	20.32-55.05*	0.68-1.84*	6.66-18.04
Mentally Retarded Mild	85.57	2.85	30.50
Mentally Retarded Moderate	141.15	4.71	52.36
Mentally Retarded Severe	181.70	6.06	68.31
Multihandicapped	191.86	6.40	72.31
Deaf	162.02	5.40	60.57
Hard of Hearing	143.26	4.78	53.19
Visually Handicapped	112.61	3.75	41.13
Deaf Blind	201.08	6.70	75.93
Communication Disordered	22.22	0.74	0.74

* School districts with: (a) 4.0% or less of their enrollment reported as specific learning disabled generate the maximum number of staff units; (b) 15.0% or more of their enrollment reported as specific learning disabled generate the minimum number of staff units; and (c) between 4.0% and 15.0% of their enrollment reported as specific learning disabled generate staff units that vary inversely with this percentage.

To determine each school district's allotment for staff compensation, its total numbers of SECIS units, SECAS units, and SECLS units are multiplied by the district's state-determined salary and fringe benefits level for SECIS, SECAS, and SECLS, respectively. Special education salary and fringe benefits levels are determined by the same process used in basic education (see section II). In addition, in 1990-91, the state provided: (a) $2,955 per certificated and classified staff unit for insurance benefits; (b) $758 per FTE special education student for nonemployee related costs (e.g., books, desks, heat); and (c) $290 per SECIS unit for substitute teachers (RCW 28A.13.005, 28A.13.010, 28A.13.040, and 28A.13.050).

State Share: 100% of the formula-generated allocation—the state is required to fully fund a special education program for handicapped children (*Seattle School District* v. *State*, 1983). State funding for special education programs is subject to recovery if unexpended during the year in which it is allocated. On the basis of the formula used by the state to measure compliance with this regulation, state funding for special education programs accounted for 77.6% of net special education program expenditures ($308.0 million of $397.0 million).

Local Share: Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for state-funded special education programs.

Extent of Participation: All districts participate.

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $43.9 million (1.3% of total state school aid)

Description: The Learning Assistance Program (LAP) provides funding to a school district based upon the percentage of the district's students scoring in the bottom quartile on the state's 4th grade and 8th grade basic skills test. For the K-6 component of the program, the most recent 5-year weighted average percentage of the district's students scoring in the bottom quartile of the state's 4th grade basic skills test is multiplied by the district's current FTE enrollment in grades K-6 to determine the maximum number of LAP students in a district. This figure is lowered by the number of students aged 6 through 11 living in the district who are eligible for funding as "specific learning disabled" students. The same process is used for the grade 7-9 component of the program, except that the district's average performance on the state's 8th grade basic skills test is multiplied by the district's current FTE enrollment in grades 7-9, with the number of "specific learning disabled" students aged 12 through 14 living in the district being subtracted from this total. In 1990-91, the allocation formula provided $424.99 per LAP student. (RCW 28A.41.400, 28A.41.402, and 28A.41.414)

State Share: 100% of the formula-generated allocation — the state is required to fully fund a remedial assistance program (*Seattle School District* v. *State*, 1983). In 1990-91, the LAP program allocation covered 71.7% of net LAP program expenditures ($43.9 million of $61.1 million).

Local Share: Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for state-funded compensatory education programs.

Extent of Participation: All districts participate.

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $4.6 million (less than 1.0% of total state school aid)

Description: Funding for highly capable student programs is provided for 1.5% of a district's current FTE enrollment. In 1990-91, the allocation formula provided school districts with highly capable student programs $398.25 per eligible student. (RCW 28A.16 and WAC 392-170)

State Share: The state is not required to provide financial assistance for gifted programs (*Seattle School District* v. *State*, 1983). In 1990-91, the allocation for highly capable students provided 40.0% of net gifted and talented program expenditures ($4.6 million of $11.6 million).

Local Share: Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for gifted and talented programs.

Extent of Participation: 276 of 296 districts

IX. BILINGUAL EDUCATION

Funding in 1990-91: $12.2 million (less than 1.0% of total state school aid)

Description: In 1990-91, the allocation formula provided school districts with $510.22 per eligible student for transitional bilingual education. (RCW 28A.58.800 and 28A.58.810)

State Share: 100% of the formula-generated allocation — the state is required to fully fund a bilingual education program (*Seattle School District* v. *State*, 1983). In 1990-91, the allocation for transitional bilingual students provided 41.8% of net transitional bilingual program expenditures ($12.2 million of $29.1 million).

Local Share: Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for transitional bilingual programs.

Extent of Participation: All districts participate.

X. OTHER CATEGORICAL PROGRAMS

Local Effort Assistance

Funding in 1990-91: $54.9 million (1.6% of total state school aid)

Description: Local effort assistance provides a guaranteed tax base for school districts with school district special levy property tax rates above the state average. To be eligible for local effort assistance, the tax rate a school district would be required to levy to collect an amount equal to 10% of its state and federal revenue must be greater than the tax rate that would be needed to raise 10% of statewide average state and federal revenue if the statewide average assessed valuation was used as the tax base (all property valuations are adjusted to 100% of market value — see *"Local school revenue-Special levy property tax"*). Eligible school districts are allowed to use this statewide average tax rate as their district tax rate for purposes of raising a local revenue amount equal to 10% of the district's state and federal revenue. The state provides the district with the difference between the amount raised by the lower statewide rate and 10% of the district's state and federal revenue. Districts with approved local school district special levy amounts that are less than the district's share of the 10% levy amount receive a pro rata portion of the maximum local effort assistance amount. (Chapter 2, Laws of 1987, 1st Special Session)

State Share: 100%

Local Share: None.

Extent of Participation: 193 of 296 districts

Vocational-Technical Institutes

Funding in 1990-91: $44.9 million (1.3% of total state school aid)

Description: In 1990-91, 5 school districts in the state operated vocational-technical institutes (VTIs) to provide students with the skills needed for specific jobs in the labor market. The 1991 legislature removed these 5 VTIs from the public school system and placed them under the control of community colleges. In 1990-91, the state provided these 5 school districts with $3,550.63 per full-time equivalent student enrolled in these programs.

State Share: 100%

Local Share: None.

Extent of Participation: 5 of 296 districts

Local Education Program Enhancement

Funding in 1990-91: $28.0 million (less than 1.0% of total state school aid)

Description: Local education program enhancement funding is a block grant that must be expended to meet educational needs the school district has identified within the following program areas: (1) Prevention and intervention services in the elementary grades; (2) Reduction of class size; (3) Early childhood education; (4) Student-at-risk programs; (5) Staff development and in-service programs; (6) Student logical reasoning and analytical skill development; (7) Programs for highly capable students; (8) Programs involving students in community service; (9) Senior citizen volunteer programs; and (10) Other purposes that enhance a school district's basic education program. In 1990-91, the state provided $35.26 per full-time equivalent (FTE) student to school districts enrolling more than 100 FTE students, with school districts enrolling less than 100 FTE students receiving funding for a minimum of 60 FTE students in grades K-6, 20 FTE students in grades 7 and 8, and 60 FTE students in grades 9-12.

State Share: State funding for local education program enhancement is subject to recovery if unexpended during the year in which it is allocated. On the basis of the formula used by the state to measure compliance with this regulation, state funding for local education program enhancement accounted for 73.3% of actual local education program enhancement expenditures ($28.0 million of $38.1 million).

Local Share: Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for local education program enhancement.

Extent of Participation: All districts participate.

Institutions, Centers, and Homes for the Delinquent

Funding in 1990-91: $8.2 million (less than 1.0% of total state school aid)

Description: A year-round, 220-day educational program is provided by local school districts for children in state residential facilities. The allocation formula converts each facility's student enrollment data into (1) basic education certificated instructional staff units, (2) basic education certificated administrative staff units, and (3) basic education classified staff units in a manner similar to the basic education allocation formula, but with more staff provided per student. In addition, the salary and benefits level used to generate the district's allotment for staff compensation is set 22.2% higher than the district's average in order to provide for the longer school year. (RCW 28A.58.770-778 and WAC 392-122)

State Share: 100% of the formula-generated allocation

Local Share: Local districts are responsible for the difference between the formula-generated allocation and the program actual expenditures.

Extent of Participation: 30 of 296 districts

Traffic Safety Education

Funding in 1990-91: $5.6 million (less than 1.0% of total state school aid)

Description: In 1990-91, the allocation formula provided school districts with $137 per student completing a traffic safety education program. (RCW 28A.08 and 46.81.070; WAC 392-153)

State Share: State funding for traffic safety education programs is subject to recovery if unexpended during the year in which it is allocated. On the basis of the formula used by the state to measure compliance with this regulation, state funding for traffic safety education programs accounted for 38.9% of actual traffic safety education expenditures ($5.6 million of $14.4 million).

Local Share: Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for traffic safety education.

Extent of Participation: 242 of 296

Early Intervention and Prevention

Funding in 1990-91: $4.5 million (less than 1.0% of total state school aid)

Description: Early intervention and prevention funding is a block grant that is intended to purchase counseling and intervention services from school counselors, school psychologists, school nurses, school social workers, and other licensed mental health professionals and/or to conduct training related to the district's early intervention and prevention program for school district staff. In 1990-91, the state provided $9.75 per full-time equivalent student in grades K-6.

State Share: 100% of the formula-generated allocation

Local Share: Local districts are responsible for the difference between the formula-generated allocation and actual expenditures for early intervention and prevention programs.

Extent of Participation: All school districts participate.

School Food Service

Funding in 1990-91: $3.0 million (less than 1.0% of total state school aid)

Description: In 1990-91, the allocation formula provided school districts with $0.050 per lunch served to students under the National School Lunch Program.

State Share: The state is not required to provide financial assistance for school food service programs (*Seattle School District* v. *State*, 1983). The National School Lunch Program, though, requires the state to provide $3 million in funding for the program.

Local Share: Local districts are responsible for the difference between the amount provided by federal allocations, state allocations, and student fees and the actual expenditures for school lunch programs. In 1990-91, the local share of school food service expenditures amounted to 11.7% ($16.9 million of $144.3 million).

Extent of Participation: 280 of 296

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

See "Other categorical programs-Local education program enhancement" for early childhood education funding; state aid for the education of handicapped preschool students is provided through the special education allocation formula.

XIII. LOCAL SCHOOL REVENUE

Special Levy Property Tax

Funding in 1990-91: $747.9 million (77.6% of total local school revenue)

Description: The state legislature may give school districts authority to levy local property taxes—what are known as special levies — to fund programs, activities, and support services that the state is not required to fund under its constitutional obligation (*Seattle School District* v. *State*, 1978). The special levy property tax is the only local tax used to fund schools and 4 types of levies exist: (a) maintenance and operations levies ($468.6 million) are 1 or 2 year levies used for the day-to-day operations of the school district; (b) debt service levies ($240.1 million) are multi-year levies used to pay principal and interest on general obligation bonds sold to finance school construction and remodeling; (c) capital projects levies ($29.9 million) are 1 to 6 year levies used to pay for school construction or remodeling, and; (d) transportation vehicle levies ($9.3 million) are 1 or 2 year levies used to pay for school buses or other school transportation needs.

All timber growing on privately owned land is exempt from property taxes. In lieu of the property tax, private timber is subject to a 5% excise tax at the time it is harvested; 80% of the tax revenues on private timber are distributed to the local taxing districts containing harvestable timber (including 212 school districts). In 1990-91, this tax generated $13.0 million for these 212 school districts, which was applied towards the districts' local special levy amounts, thereby lowering the special levy property tax rates in these districts.

All taxable property must be valued at 100% of its market value. In order to ensure that all taxpayers pay their state-collected property taxes on an equal basis regardless of the assessment practices of their county, the state

Department of Revenue annually compares the assessed value of properties in each county with actual selling prices and sample appraisals in order to compute a county-wide indicated ratio. Each year, the state property tax rate paid in each county is divided by the appropriate county indicated ratio to provide an equalized yield (e.g., if a county is determined to be assessed at 75% of market value, the state property tax rate in the county is divided by 0.75). (RCW 84.36, 84.52.050,84.52.053, and 84.52.056)

Extent of Participation: Maintenance and operations levies, 248 of 296 districts
Debt service levies, 233 of 296 districts
Capital projects levies, 19 of 296 districts
Transportation vehicle levies, 13 of 296 districts

Local Non-tax Revenue

Funding in 1990-91: $213.9 million (22.2% of total local school revenue)

Description: The primary sources of local non-tax revenue are investment earnings and food service fees. By investing the proceeds of bond sales and school funding allocation payments in U.S. government securities for the period of time before payments must be made to contractors, suppliers, and district employees, school districts generated $83.8 million in interest during 1990-91. Student fees for school lunches, breakfasts, and milk produced $61.2 million in 1990-91.

Extent of Participation: All districts generate local non-tax revenue.

XIV. TAX AND SPENDING LIMITS

Limitations on Regular Property Tax Levies

The Washington Constitution (Article VII, Section 2) limits the *regular* property taxes paid by any taxpayer to 1% of the market value (school district special levies are exempt). Since 1975, the state legislature has further controlled regular property taxes by setting the authorized limit (0.915%) below the constitutional limit. In addition, the state legislature curbs the growth of any taxing district's regular property tax revenue to no more than 6% above the highest level reached in the last 3 years, exclusive of new construction.

Limitations on Special Levy Property Taxes

The state legislature limits voter-approved school district maintenance and operations (M&O) special levies to a fixed percentage of state and federal revenues received in the prior school year. The original "levy lid", passed in 1977, sought to limit a school district's M&O special levy authority to 10% of each school district's state basic education allocation received in the prior school year. This goal has never been reached and the legislature has amended the law eight times to (a) expand the base on which the levy lid is calculated to include most state and federal revenues, (b) further expand this base by multiplying the prior school year's revenue by the current year's percentage increase in state basic education allocations per pupil, (c) increase every school district's M&O special levy authority to at least 20%, (d) lower every school district's M&O special levy authority to a maximum of 30%, (e) reduce a school district's M&O special levy authority by the amount of its maximum local effort assistance (see *"Other categorical programs-Local effort assistance"*), and (f) reduce M&O special levies in school districts with levy authority between 20% and 30% only when the legislature provides increases in funding identified in the state budget as "levy reduction funds." As a result, in 1990-91, 91 of 296 school districts were given authority to collect M&O special levies of between 20% and 30%; all other districts are restricted to a 20% M&O special levy.

Provisions for Voter Approval

Local school boards may ask voters to impose a special levy property tax to generate a specific dollar amount (see *"Local school revenue-Special levy property tax"* for an explanation of the 4 types of special levies). Approval requires (a) voter turnout equal to at least 40% of the previous general election total in the district (validation), and (b) a favorable margin of at least 60% of the votes cast on the special levy proposal (passage). The state's voters passed a constitutional amendment granting an exception to the validation rule in 1973 for maintenance and operations (M&O) and vehicle transportation levies only. If the voter turnout in these two types of levy elections does not equal 40% of the previous general election total, the measure can be validated if the number of "yes" votes cast on the proposition is equal to at least 24% (i.e., 60% multiplied by 40%) of the total votes cast in the previous general election. This exception to the validation requirement was added to discourage "no" voters from attempting to defeat an M&O or transportation vehicle levy by failing to vote. If the voters do not pass the first special levy request, a school district may submit it to the voters a second and final time during the same levy election year (calendar year for debt service levies, 365-day year for other levies).

XV. EARMARKED STATE REVENUE

The only state revenue not allocated from the general fund is the Common School Construction Fund which consists of proceeds from the sale of renewable resources from the 1.3 million acres set aside to fund education at the time of Washington's admission to the union in 1889.

WISCONSIN

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I. GENERAL BACKGROUND

State

- Since the mid 1980s, the state share of state-local support for schools has remained around 44%. By contrast, the early 1970s state support of school costs was less than 30%. In 1973, the state increased its share to 40%. Further gains were made in 1982-83 (43%) and 1985-86 (45%). Wisconsin also provides indirect support of schools through several property tax credit programs. Credits are provided on the tax bills of all property owners which effectively reduced school taxes by $169.3 million in 1990-91. In addition, an estimated $177 million in targeted tax credits for farmers, homeowners and renters was attributable to the school tax. When combined with school aids, the property tax credits increased the state's share to 52.3% in 1990-91.

- School aid is provided through state general purpose revenues (primarily the individual income tax, the general sales and use tax and the corporate income and franchise tax). In the 1989-91 biennium, approximately 28% of the state's general fund budget was appropriated for school aid (the largest single program). No revenues are specifically earmarked for K-12 education (except for a relatively small "common school" fund designated for library aids). Segregated lottery funds supported the cost of school aids in 1988-89 and 1989-90; however, beginning in 1991-92, these proceeds will be used as a direct credit on the property tax bills of homeowners.

- Wisconsin has used a guaranteed tax base formula for distribution of general aid to school districts since 1949. In 1973, major revisions to the formula occurred in order to apply the concept of equalization to all districts. A system of flat aids was eliminated (later restored in 1985). Two separate tiers of cost sharing were created. The most significant change — a requirement that high wealth districts pay "negative aid" to the state for redistribution to other districts — was ruled unconstitutional by the State Supreme Court in 1976 (*Buse* v. *Smith*) prior to actual implementation. Since then, the basic structure of the formula has remained unchanged.

- School finance reform has become a major topic of debate. A 1979 lawsuit filed by the Milwaukee Public Schools challenged the constitutionality of the state's financing of K-12 education; however, the State Supreme Court ruled in 1989 (by a 4-3 vote) that the current system is constitutional. A resolution debated by the Legislature in 1990 (but not adopted) would have changed the state's Constitution to require the gradual phase-out of school property taxes over a 10-year period. Another resolution, introduced in 1991, would amend the state's education clause (which currently requires "uniformity") to require the Legislature to provide "adequate funding" for education and to allocate state aid through a formula that assures "equal educational opportunity" in all districts. In addition, legislation has been introduced to increase state taxes for K-12 education and replace the current general aid formula with a foundation formula.

Local

- The state has 371 K-12 districts, 47 elementary (K-8) districts and 10 union high school (9-12) districts, for a total of 428 local school districts. All are fiscally independent. In addition, 12 cooperative educational service agencies

(CESAs) — which are fiscally dependent — provide programs and services to the 428 districts. Eight counties operate handicapped children's education boards (CHCEBs) — 2 are fiscally dependent and 6 fiscally independent.

- Property taxes constitute the sole source of local district tax revenues. Wisconsin's districts are classified as common (368), union high (10), unified (49) and 1st class (Milwaukee). Common and union high districts are required to hold an annual meeting at which a majority of electors present approve the district's tax levy. School boards in unified and first class districts do not hold annual meetings.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$1,852 million
Grants in Aid	1,852 million	
Teacher Retirement Contributions	0	
FICA	0	
Total Local School Tax Revenue		2,356 million
Total Combined State and Local School Revenue		4,208 million
State Financed Property Tax Credits Attributable to School Taxes	346 million	

II. THE BASIC SUPPORT PROGRAM

General Equalization Aid Formula

Funding in 1990-91: $1,426.0 million (77% of total state school aid)

Nature of Program: Guaranteed tax base formula (commonly known as the general equalization aid formula) with two tiers of state sharing in school district costs. (Wisc. Statutes 121.07 and 121.08)

Units: Pupils. Membership based on the average of 2 counts — third Friday in September and second Friday in January—plus the average daily membership for summer school.

Local Fiscal Capacity: Equalized assessed property valuation.

How Formula Operates: The state guarantees a certain base amount of property value per student with state aid making up the difference between the guaranteed tax base and the local tax base. In 1990-91, the "primary guaranteed valuation per member" was as follows:

K-12 districts	$298,195
K-8 districts	447,292
High school districts	894,585

For costs per member above a certain level, known as the primary cost ceiling, a lower guaranteed tax base is used to calculate aid for these costs. In 1990-91, the primary cost ceiling was set, by statute, at $4,660 per member. This "secondary guaranteed valuation per member" is set at 106% of the state average equalized valuation per member and was as follows:

K-12 districts	$185,906
K-8 districts	278,859
High school districts	557,718

In 1990-91, 185 districts (43%) had secondary costs.

The state does not set a minimum local levy rate or expenditure level. Instead, the formula operates under the general principle that if 2 districts choose to spend at the same per pupil level, their levy rates should be identical regardless of differences in property wealth. Ideally, differences in tax rates among districts should only reflect differences in district spending levels. This is not the case for districts with property values above the guaranteed base who are, therefore, off the formula.

Several features of the general aid formula are worth noting:

1. Costs eligible for state sharing include general operating costs and debt service. Federal aid, state categorical aid and local non-property tax revenues are deducted from this cost base.
2. Aid calculation is based on cost, membership and property valuation data from the prior school year.
3. The primary guaranteed valuation "floats" to a level sufficient to distribute the amount appropriated for general equalization aids.
4. The Legislature adjusts the primary cost ceiling (usually in the biennial state budget) for each year of distribution.
5. In no case may a district's equalization aid payment be negative. Prior to implementation of "negative aids" in 1977-78, the State Supreme Court ruled the provision as unconstitutional.

State Share: A district's equalized valuation is compared to the state guaranteed tax base and state aid equals the amount of revenue which would be generated by the "missing" portion of the guaranteed tax base. For example, if a district lacks 40% of the guaranteed tax base, state aid would support 40% of the district's aidable costs.

State equalization aid equals the sum of "primary" aid and, if applicable, "secondary" aid. In some cases, a district's "secondary" aid may be negative, offsetting its "primary" aid. However, as noted, a district's total aid cannot be negative; the amount is automatically increased to $0.

Schedule of payments: 15% on 3rd Monday in September, 25% on 1st Monday in December, 25% on 4th Monday in March, and 35% on 3rd Monday in June.

Local Share: The local share is equal to a district's equalized value as a portion of the guaranteed tax base multiplied by its aidable costs. For example, if a district has 60% of the guaranteed tax base, the property tax supports 60% of the district's aidable costs. Since the formula is based on prior year costs, the district must fund any increased expenditures entirely by the property tax. However, these costs are reflected in the next year's aid payment.

Weighting by Grade Level: None.

Adjustments for Special Factors: None.

Districts Off Formula: 46 districts (11%) — although 3 of these districts were eligible for supplemental equalization aid (described in next section)

Supplemental (TIF) Aid

Funding in 1990-91: $35.1 million (1.9% of total state school aid)

Description: The state compensates districts for equalization aid which would otherwise be lost to them as a result of the state's tax incremental financing (TIF) law. Under this economic and urban development tool, municipalities can invest in improvements in designated areas and then retain all property taxes levied upon the increased property value (including school levies) until costs have been recovered. The general equalization aid formula includes the increased property value (known as the "incremental value") in a school district's tax base even though the district receives no revenue from that value. Supplemental aid provides separate compensation for districts whose state aid would otherwise be reduced as a result of the incremental value. (Wisc. Statute 121.085)

State Share: A district receives the difference between the calculation of its equalization aid payment with and without the TIF incremental value. With the exception of districts off the equalization formula, aid is higher when the incremental value is excluded.

Extent of Participation: 215 districts (50%)

Minimum Aid

Funding in 1990-91: $13.7 million (less than 1% of total state school aid)

Description: Districts which are either not eligible for equalization aid (including supplemental aid) or receive very low payments per member are eligible for a minimum, flat aid per member. The minimum aid amount varies depending on the district's median household income (according to federal census data) and its local levy rate. (Wisc Statute 121.10)

State Share: There are 4 categories of minimum aid, $100, $175, $300 and $400 per member, with the higher amounts provided to districts with lower median incomes and higher levy rates. The state provides the additional amount necessary to bring districts up to the minimum level.

Extent of Participation: 48 districts (11%)

Special Adjustment Aid

Funding in 1990-91: $0.9 million (less than 1% of total state school aid)

Description: The state provides additional general aid to districts to either cushion the effect of reductions in equalization aid from one year to the next (a hold harmless) or as an incentive for consolidation. (Wisc. Statute 121.105)

State Share: A district is guaranteed 90% of their prior year's payment of equalization aid (including supplemental), thus limiting a district's annual loss to 10%. To be eligible, a district's equalized value per member cannot exceed 135% of the state average. *Beginning in 1991-92, the hold harmless level decreases to 85%.*

Consolidated districts are guaranteed, for up to 3 years, no less than the total amount of equalization aid (including supplemental) received by the separate districts in the year prior to consolidation. In addition, consolidating districts receive a 5% increase in the equalization aid formula's "primary guaranteed valuation" and "primary cost ceiling" for these years. *Beginning in 1992-93, the consolidation aid provisions are for 5 years and the increase in the formula factors is 10%.*

Extent of Participation: 7 districts (2%) all of which received the 90% hold harmless aid.

III. TRANSPORTATION

Funding in 1990-91: $17.7 million (1.0% of total state school aid)

Description: Districts required by state law to furnish transportation services to public and private school pupils enrolled in regular education programs (including summer school) are eligible to receive categorical aid. The amount of aid is based on the number of pupils served in the prior school year. (Wisc. Statute 121.58)

State Share: The state pays a flat amount per transported pupil which varies according to the distance that each pupil is transported to school:

Distance	*Regular Year*	*Summer School*
0-2 miles (hazardous areas)	$12	$0
2-5 miles	30	4
5-8 miles	45	6
8-12 miles	60	6
12-15 miles	68	6

15-18 miles	75	6
Over 18 miles	85	6

Total state aid payments cannot exceed the appropriated amount. A proration of 94% of full-funding of payments occurred in 1990-91.

Local Share: The district assumes the remaining costs; however, transportation costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 422 districts (99%)

IV. CAPITAL OUTLAY AND DEBT SERVICE

State equalization aid is provided for capital outlay and debt service. Prior to 1990-91, only up to $90 per member in long-term debt service costs was eligible for sharing under the equalization formula. Capital costs not funded through borrowing were not subject to the $90 per member limit. Beginning in 1990-91, the limit was removed and all debt service costs became eligible for state sharing.

There are 5 principal methods available to districts to finance capital expenditures.

Direct Budgeting. Districts place capital costs directly into their operating budget and the full cost is paid within one fiscal year. Usually used for minor repair and equipment costs.

Capital Expansion Funds. Districts can create a segregated capital expansion fund (commonly called a sinking fund) to budget prospectively for capital projects. In common or union high school districts, this fund can be only created by the annual meeting of the district electors. A portion of the tax levy is designated for a future specified project and an amount is collected over a period of years.

State Trust Fund Loans. These are constitutionally established trust funds through which revenues from fines and forfeitures and the sales of public lands are collected and then made available for loans to school districts and municipalities. Loan amounts are generally small (from $20,000 to $750,000) and are made at relatively low interest rates. At least 50% of available funds must be loaned to school districts.

Promissory Notes and Municipal Bonds. The most common method of capital financing is the issuance of promissory notes (maximum maturity of 10 years and sold either publicly or privately) and municipal bonds (20 years maximum maturity and sold publicly). District must establish a separate debt service fund and levy an annual, nonrepealable tax for the purpose of making principal and interest payments. The referendum requirements for school borrowing are described in Section XIV.

V. TEACHER RETIREMENT

Prior to 1973-74, the employer's share of the payments for teacher retirement and social security had been paid directly by the state. Beginning in 1973-74, this cost became a school district obligation and eligible for state sharing under the general equalization aid formula.

VI. SPECIAL EDUCATION

Funding in 1990-91: $246.8 million (13.3% of total state school aid)

Description: Special education is primarily provided by local districts, either on their own or through cooperative programs. However, CESAs and CHCEBs (described in Section I) also serve handicapped children. The state reimburses districts, CESAs, CHCEBs for a portion of their prior year costs for educating and transporting pupils enrolled in special education, including school age parent programs. (Wisc. Statutes 115.88 and 115.93)

State Share: The state pays a fixed percentage of cost regardless of the amount expended or the property tax base of the district. These percentages are:

1. 63% of the salaries and fringe benefit costs for special education teachers, physical and occupational therapists, teacher and therapy aides, program supervisors and coordinators;
2. 63% of the cost of special education transportation;
3. 51% of the salaries and fringe benefit costs for senior level school psychologists and social workers (regardless of whether they are employed in a special education program);
4. 100% of the cost of board, lodging and transportation of nonresident handicapped children.

Aidable costs exclude any offsetting federal or state tuition receipts. Total state aid payments cannot exceed the appropriated amount. Proration of reimbursement rates has occurred every year since 1985-86 (95% of full-funding in 1990-91).

Local Share: The district assumes the remaining costs; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 400 districts (93%) received aid (however, the number of participants is higher since aids are paid to districts serving as fiscal agents for cooperative programs); and 19 regional agencies (12 CESAs and 7 CHCEBs).

VII. COMPENSATORY EDUCATION

Preschool to Grade 5 Grant Program

Funding in 1990-91: $5.7 million (less than 1.0% of total state school aid)

Description: Grants supporting programs designed to improve the education of preschool through grade 5 pupils enrolled in districts with high concentrations of economically disadvantaged and low-achieving pupils. Districts receiving grants must ensure that each elementary school complies with certain requirements regarding class size (25 pupils per teacher), annual testing in basic skills, 4-year-old kindergarten, identification of pupils needing remedial assistance, parental involvement, in-service training, and staff evaluation. (Wisc. Statute 115.45)

State Share: Grants are awarded on a competitive basis to a limited number of districts (based on high numbers of dropouts and low-income pupils) for a 3-year-period with renewal subject to state approval. Funding is supplemental in nature and cannot supplant or replace existing funds.

Local Share: No local contribution is required.

Extent of Participation: 33 elementary schools within 4 districts: Beloit, Kenosha, Milwaukee and Racine (0.9% of all districts but 2.6% of all elementary schools).

Aid to Milwaukee Public Schools
(Desegregation Settlement Aid)

Funding in 1990-91: $7.0 million (less than 1.0% of total state school aid)

Description: This is a special aid program to fulfill an agreement made by the Governor and the State Superintendent with the Milwaukee School Board, as part of the 1987 desegregation lawsuit settlement, to provide state funds for compensatory education programs (either new or supplemental to existing programs) to address the academic deficiencies of disadvantaged pupils. Total amount of $30 million over 5 years (1988-89 through 1992-93). (Wisc. Statutes 119.71 through 119.80)

State Share: The state provides a set amount to Milwaukee to be used for specific purposes. In 1990-91, the aid distribution included: (1) $4.2 million to expand the number of full day, 5-year-old kindergartens available to low-income pupils, (2) $0.8 million for expanded opportunities for 1st graders who were in full day kindergartens, (3) $0.8 million to contract with private, nonprofit day care centers for early childhood education, (4) $0.5 million for alternative education programs for pupils subject to Learnfare (a school attendance requirement for AFDC recipients), (5) $0.4 million for a pilot extended-day program.

Local Share: No local contribution is required.

Extent of Participation: 1 district (Milwaukee)

VIII. GIFTED AND TALENTED EDUCATION

No specific categorical aid program; however, see description of the Learning Assistance Grant program under Section X.

IX. BILINGUAL EDUCATION

Funding in 1990-91: $7.3 million (less than 1.0% of total state school aid)

Description: Districts required by state law to provide special classes to pupils of limited English-speaking ability (schools which enroll 10 or more LES pupils in grades K-3, or 20 or more in grades 4-12) are eligible for categorical aid. (Wisc. Statute 115.995)

State Share: The state pays a specific percentage (63%) of the district's prior year costs for salaries, special books and equipment (plus other state-approved expenses) which are attributable only to programs for LES pupils. Total payments cannot exceed the appropriated amount. A proration of 83% of full-funding occurred in 1990-91. *Beginning in 1991-92, the 63% reimbursement rate has been repealed and the actual percentage will depend on the relationship between the state appropriation and district aidable costs.*

Local Share: The district assumes the remaining cost; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 26 districts (6%)

X. OTHER CATEGORICAL PROGRAMS

Integration Aid

Funding in 1990-91: $57.6 million (3.1% of total state school aid)

Description: The state provides unrestricted aids as an incentive for districts to voluntarily improve racial balance within and between school districts. To be eligible, a district must transfer students to and from attendance areas or districts with certain concentrations of minority or nonminority student populations. An area or district which has 30% or greater minority enrollment is considered high. (Wisc. Statutes 121.85 and 121.83)

State Share: Different formulas are used to fund the 2 types of student transfers. For each *intra*district transfer, a district receives an additional 32.5% of its per member equalization aid payment. For each *inter*district transfer, the district of attendance receives an amount equal to its average cost per resident member; the district is also eligible for a 20% increase in this amount if the total number of accepted transfers equals 5% or more of its total resident membership. The sending district continues to count the pupils in membership for general aid purposes; however, this amount is never separately identified as part of the integration aid payment. Integration aid is funded through the same appropriation as general equalization aid. Since the program acts as a first draw from that appropriation, proration of payments does not occur.

Extent of Participation: 4 districts (Beloit, Madison, Milwaukee and Racine) received a total of $22.4 million in intradistrict transfer aid; 23 districts (Milwaukee and 22 suburban Milwaukee districts) received a total of $35.2 million in interdistrict transfer aid.

School Library Aid

Funding in 1990-91: $14.5 million (less than 1.0% of total state school aid)

Description: Funds are provided for library books and other instructional materials for school libraries. The funding source is the income generated from the state's common school fund which is primarily derived from interest payments on loans made from the fund to municipalities and school districts. (Article 10 of the State Constitution and Wisc. Statute 43.70)

State Share: A district receives a per capita payment based on its proportionate share of the total number of children between the ages of 4 and 20 residing in each district according to an annual school census.

Extent of Participation: 418 districts (98%); all districts except those serving high school grades only.

Driver Education Aid

Funding in 1990-91: $2.2 million (less than 1.0% of total state school aid)

Description: The state pays categorical aid for each high school pupil who successfully completes the classroom and behind-the-wheel phases of a driver education course in the prior school year. (Wisc. Statute 121.41)

State Share: The state pays $50 per pupil. In no case may total aid exceed the actual cost of instruction. Total payments cannot exceed amount appropriated. *Beginning in 1992-93, aid increases to $100 per pupil.*

Local Share: The district assumes the remaining costs; however, costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 372 districts (87%)

Nutritional Programs

Funding in 1990-91: $4.1 million (less than 1.0% of total state school aid)

Description: The state makes payments to districts for the following purposes: (1) to partially match the federal contribution under the national school lunch program ($3.6 million), (2) to support the cost of reduced price meals served to the elderly ($155,000), and (3) to reimburse the cost of morning milk provided to low-income children in grades K-5 ($290,000). (Wisc. Statutes 115.34, 115.343 and 115.345)

State Share: (1) School lunch, a variable percentage (28.2% in 1990-91) of the amount of federal basic reimbursement provided in 1980-81 determines the state total which is then allocated among districts according to the number of lunches served during the prior school year. (2) Elderly nutrition, 15% of the cost of the meal or 50 cents per meal, whichever is less. (3) Morning milk, 100% reimbursement.

Local Share: (1) School lunch, district assumes costs above federal and state reimbursement. (2) Elderly nutrition, district assumes remaining costs although participants can be charged. (3) Morning milk, no local contribution required unless insufficient funds available for full state reimbursement.

Extent of Participation: School lunch — 402 districts (94%); Elderly nutrition — 66 districts (15%); Morning milk — 160 districts (37%)

Tuition Payments

Funding in 1990-91: $3.6 million (less than 1.0% of total state school aid)

Description: The state fully reimburses districts for the prior year cost of educating children who are residents of the district as a result of a decision by a public agency to place the child in a certain environment (such as a children's home) or whose parents reside on land which is exempt from local property taxes (such as military camps or penal institutions). (Wisc. Statutes 121.79 and 121.83)

State Share: The state payment is calculated on the basis of the district's daily cost per pupil and the number of school days the child is in attendance.

Extent of Participation: 23 districts (5%) and 3 regional agencies

Learning Assistance Program

Funding in 1990-91: $1.4 million (less than 1.0% of total state school aid)

Description: Grants are awarded by the state Department of Public Instruction to school districts to do one of the following: (1) coordinate educational and health and social services for pupils and their families, (2) integrate early childhood education and child care, (3) develop, implement or enhance gifted and talented programs, and (4) provide services to limited-English speaking pupils from Indo-Chinese language groups. (Wisc. Statute 115.363)

State Share: Grants are awarded on a competitive basis to a limited number of districts for a 2 year period. Funding is supplemental in nature and cannot supplant existing funds.

Local Share: No local contribution is required.

Extent of Participation: 26 districts and 8 regional agencies

Aid for Children-at-Risk Programs

Funding in 1990-91: $3.1 million (less than 1.0% of total state school aid)

Description: Districts required to identify and develop plans and special programs for children that are considered at-risk of not completing high school (as defined by state law) are eligible for additional state aid to serve these children. A district must have 50 or more dropouts or a dropout rate greater than 2.5%. To receive the aid, the district's programs for such children must meet certain performance criteria. (Wisc. Statute 118.153)

State Share: For each pupil enrolled in the at-risk program in the previous school year, the district receives an amount equal to 10% of its prior year's general equalization aid per pupil.

Local Share: The district assumes the remaining costs; however, program costs not reimbursed through categorical aid are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 34 districts (8%)

Alcohol and Other Drug Abuse Grant Programs

Funding in 1990-91: $5.6 million (less than 1.0% of total state school aid)

Description: Various categories of grants are awarded by the Department of Public Instruction to address the problems of alcohol and other drug abuse among school-age children. Emphasis is placed on both prevention and intervention including after-school and summer school (latch-key) programs, K-12 curriculum development, family involvement, drug abuse resistance education, and pupil services personnel. (Wisc. Statutes 115.36, 115.361 and 115.362)

State Share: Grants are awarded on a competitive basis with the state share set at varying levels depending on the program.

Local Share: For some grant categories, local match is required. However, in all cases, any remaining costs are eligible for state sharing under the general equalization aid formula.

Extent of Participation: 136 districts (31%) and 12 regional agencies

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

Milwaukee Parental Choice Program

Funding in 1990-91: $0.7 million (reallocated from the Milwaukee Public Schools' equalization aid payment).

Description: The state pays for the cost of low-income students (less than 175% of the poverty level) living in Milwaukee to attend private, nonsectarian schools in the City at no charge. This program is limited to no more than 1% of the Milwaukee Public Schools' membership, or approximately 950 students. (Wisc. Statute 119.23)

State Share: State general equalization aids which would have been paid to MPS for the participating students are instead provided to the private schools. In 1990-91, the payment was $2,446 per student.

Extent of Participation: 6 private schools throughout the entire 1990-91 school year (1 school left the program after the first semester)

NOTE: State aids provided for the school lunch program (see Section X) apply to private schools as well ($0.5 million in total payments). In addition, pupil transportation aid and special education aid compensate districts for costs related to private school pupils; however, the payments are made to local districts and not the private schools.

XII. PREKINDERGARTEN EDUCATION

State Supplement for Head Start

Funding in 1990-91: $2.0 million (less than 1.0% of total state school aid)

Description: Grants provide a supplement to the federal Head Start program. (Wisc. Statute 115.361(1))

State Share: Distributes funds to agencies eligible for designation as Head Start agencies under federal guidelines. Preference is given to agencies already receiving federal funding to enable those agencies to expand their programs. State funds cannot be used as a match for federal funds. *Beginning in 1991-92, state funds can be used as a match for federal funds only if the state funds are used to secure additional federal support.*

Local Share: No local contribution is required.

Extent of Participation: 33 Head Start agencies (which include 6 school districts)

NOTE: State aids provided through the special education aid formula (see Section VI) support the costs of pre-school education programs for children age 3 or older with exceptional educational needs. In addition, a pupil enrolled in pre-school special education is counted as 0.5 member under the general equalization aid formula. Further, 3 grant programs (Preschool to Grade 5, Aid to Milwaukee Public Schools and Learning Assistance) have early childhood education components.

XIII. LOCAL SCHOOL REVENUE

The property tax is the only local tax that funds schools. In 1990-91, it generated $2,356.4 million which represents 53.7% of total property tax collections in Wisconsin ($4,388.2 million). The total levy was offset by state property tax credits of $319.3 million of which $169.3 million was attributable to the school levy.

Although state law requires that property be assessed at full-value, most municipalities assess property at some fraction of full-value. However, state law requires local assessments to be within 90% and 110% of full-value at least once every 4 years. Failure to comply may result in a state-ordered reassessment of the municipality to be monitored by the state. *Beginning in 1993, this requirement will apply separately to each major class of property.*

The state Department of Revenue (DOR) annually determines the equalized (or full) value of all taxable property in the state and for each local taxing jurisdiction (including school districts). In addition, DOR assesses all manufacturing property in the state.

Property Tax Credits

In addition to local aid programs, Wisconsin employs 2 other basic measures to relieve or reduce the burden of the property tax (including school levies).

First, state funds are provided as credits against the property taxes billed to all owners of taxable property. The credits are considered a part of the total property tax collection; in essence, the state becomes a payer of the property tax. The credits are paid to municipal governments who then, in their role as administrators of the property tax system, allocate the funds to all local taxing jurisdictions (including school districts) based on each jurisdiction's share of the total tax levy. Thus, a portion of the credit payments (about 54% in 1990-91) end up as part of a school district's revenue base.

For property taxes levied in 1990 (paid in 1991), $319.3 million was provided through 2 components: a "general government" credit ($150 million) and a "school levy" credit ($169.3 million). The formulas for distributing the "levies" credits are based on each municipality's 3-year average share of non-school and school levies. It has generally been accepted in Wisconsin that the school levy credit ($169.3 million) should be included in the calculation of the state's share of K-12 costs.

Beginning with property taxes levied in 1991 (paid in 1992), the method for distributing the $319.3 million tax credit program among municipalities will be based entirely on the 3-year average of school levies. In addition, a new "lottery" property tax credit will appear on tax bills in 1991. This credit will equal the school tax levy on the first $8,200 of value of a principal dwelling at a total estimated cost of $177.6 million paid through state lottery proceeds.

The second measure employed by the state are direct credits which target relief to Wisconsin residents through the income tax system to offset property taxes attributable to residential or agricultural property. Under the homestead ($112.3 million in 1990-91) and farmland preservation ($28 million in 1990-91) tax credit programs, eligible recipients are granted a refundable credit against their income tax based upon the level of their household income and property tax. For those individuals not required to file an income tax return or those with no income tax liability, a direct payment is made. In addition, a farmland tax relief credit ($14.7 million in 1990-91) provides a refundable credit to farmers without any income or preservation requirements. Finally, the property tax/rent credit program allows individual income taxpayers to claim a credit of up to $200 against their income tax liability for property taxes or rent paid in lieu of property taxes. In 1990-91, this credit cost the state approximately $175 million. Since these credits are provided to individuals and not local governments, it is difficult to attribute an amount to K-12 schools. A rough approximation (based on the K-12 levy's share of the total levy) may be $177 million. However, the state does not generally consider such payments when calculating its share of K-12 costs.

XIV. TAX AND SPENDING LIMITS

Wisconsin does not directly limit the tax or spending authority of school districts.

Annual Meeting Approval of Tax Levy

In a common or union high school district (378 or 88% of the state's 428 districts), the property tax levy must be approved by an annual meeting of the district's electors. The meeting is held between May 15 and September 30 and only those electors present at the meeting may vote. However, the school board has the authority to adjust the tax levy by the 3rd Monday in October if it is determined that the annual meeting has not voted a tax sufficient to operate and maintain the schools or for debt retirement. School boards in unified districts and first class city districts (50 in total) set their levies without voter approval.

Voter Approval of School Borrowing

A local government's aggregate amount of indebtedness cannot exceed 5% of its equalized property valuation. However, school districts which offer grades 1-12 and receive general equalization aid (about 80% of the districts) are allowed a debt to valuation ratio of 10%.

Districts can generally borrow up to an aggregate of $1.0 million without holding a referendum. (A lower amount is applied to districts with memberships of less than 375 pupils.) If the $1.0 million exemption does not apply and the board intends to issue a promissory note (10 years maximum maturity), then a referendum is required only if petitioned by the electors (signatures from 7,500 electors or 20% of the electors, whichever is less, must be obtained). If the $1.0 million exemption does not apply and the board intends to issue a municipal bond (20 years maximum maturity), then the board has 3 options: (1) call for a referendum, (2) hold a public hearing at which the electors present vote on whether a referendum should be held, or (3) expose the bond issuance to a petition for referendum (again signatures from 7,500 electors or 20% of the electors, whichever is less, must be obtained). Exceptions to the referenda requirements are allowed if the district, under a governmental order, has to remove a hazardous substance from a school or remedy a fire code violation.

XV. EARMARKED STATE REVENUE

Wisconsin's Constitution requires that proceeds from the state lottery must be used for property tax relief. For 2 years, a portion of the lottery proceeds were appropriated as general equalization aid ($69.4 million in 1988-89 and $66.8 million in 1989-90). However, debate over whether providing funds through a local aid program (which simply replaced the general purpose revenues normally devoted to the program) actually complied with the constitutional requirement led to the creation of the lottery property tax credit which is described in Section XIII.

WYOMING

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I. GENERAL BACKGROUND

State

- Since fiscal year 1984-85, the state share of general fund revenues for public schools has been trending up as a result of decreased revenues generated at the local level due to low assessed valuations affecting not only local revenue generation, but the state 12 mill revenue generation as well. Dollars expended from the foundation program per average daily membership (ADM) increased from $1,500 in 1983-84 to $2,100 in 1989-90. State support represented 52.1% of the total revenues generated for public schools.

- The current funding formula went into effect in 1983, after the state's foundation program was declared unconstitutional by the State Supreme Court in 1980. Under W.S. 21-13-301 to 313, the foundation guarantee represents a minimum level of educational services and facilities for each school district based upon the 1980 state Supreme Court case that the quality of a child's education cannot depend entirely upon local property taxes; rather, it must be based upon the wealth of the state as a whole. The foundation program guarantee for one classroom unit (CRU) was equal to $76,190 for 1990-91 and $82,180.25 for 1991-92.

- The most unusual feature of the new formula concerned the recapture of revenues from school districts fortunate enough to have high property assessed valuations due to the mineral extraction industry within the county.

- State revenues for public schools come primarily from 2 sources: (1) a 12 mill state property school tax, and (2) mineral production taxed at 100% of fair market value of which 50% is returned to the state from the federal government. Other sources include recapture from counties with high assessed valuation and severance taxes on minerals extraction such as coal and trona.

- Because of a $1.0 million shortfall in the 1991-92 school year foundation program, the Fifty-First Legislature cut the current years funding by the same amount. The aid reduction to the local school districts will be based upon its prorata share of the foundation program funds. Other changes in the foundation program include an increase in the CRU to $85,590 for the coming fiscal year, a diversion of funds from highway and water development accounts to make up for the $125 million to $175 million anticipated shortfall, and elimination of the education trust fund established last year all to fund the coming year's foundation program.

- Four large school districts filed a lawsuit in district court on January 15, 1992 alleging inequity in the state's foundation guarantee program in relationship to the larger school districts. The suit was joined by 2 other large districts. The suit was brought forward before the legislative session because of perceived stalling on the part of the legislature to address the problem. Several small school districts countered with their own lawsuit. To date neither suit has moved forward.

Local

- There are 49 fiscally independent school districts in Wyoming.
- Property taxes are the major source of revenue for the school districts. Other sources of revenue include fines and forfeitures, motor vehicle fees, tuition received for out-of-district student placement, land income payments, forest reserve funds, and Taylor Grazing Act revenues.
- Local support, including district and county revenues, accounted for 46.31% of the support for public schools.

Funding Summary, 1990-91

Total State School Aid (All Programs)		$355 million
Grants in Aid	355 million	
Teacher Retirement Contributions	0 million	
FICA	0 million	
Total Local School Tax Revenue		241 million
Total Combined State and Local School Revenue		596 million
State Financed Property Tax Credits Attributable to School Taxes	0 million	

II. THE BASIC SUPPORT PROGRAM

General School Aid Formula

Funding in 1990-91: $271.2 million (76.4% of total state school aid)

Nature of Program: Foundation program which in practice acts like a guaranteed tax program, particularly with the power equalizer mill supported by the foundation program (see below for explanation).

Units: Classroom Units (CRU). Average daily membership of pupils is divided by predetermined divisors which computes to a classroom unit value. ADM is computed by taking the cumulative number of pupils present plus the cumulative number of pupils absent, but within a 10 day period of absence, divided by the number of teacher/pupil contact days.

Local Fiscal Capacity: Assessed property valuation plus other revenues.

How Formula Operates: Full participation in the School Foundation Program requires unified school districts, (K-12), to levy 25 mills, plus the 6 county mills, plus the statewide 12 mills; employ and compensate certified teachers for not less than 9 months; operate all schools in the district at least 180 days; and provide the state superintendent with data and information so the state can compute the district's entitlement. The 2 elementary school districts must levy 20 mills plus 5 additional mills for tuition support of students attending secondary schools in a unified school district.

State revenues are dispersed to school districts based upon the difference between the foundation program guarantee plus foundation program allowances and the local resources generated by the school district. The formula is based upon the prior year's ADM and actual operational expenses.

The total foundation entitlement amount a district receives is equal to the sum of 2 components.

1. The calculated CRU's are multiplied by the CRU unit value of $76,190 to arrive at an allowance of operational expenses for the previous year.

2. The state reimburses districts at a specified rate for the previous year's operational expenses for the following programs:

- operation and maintenance of transportation routes at 75%;
- capital outlay for bus purchases or leases at 1/6 of the actual expense for the previous 4 years;
- tuition paid for out-of-district placement at 100%;
- isolation expense at 75%;
- homebound expense at 75%;
- supplementary special education expense at 85%;
- 1 teacher schools actual expense at 100% up to 1 CRU value;
- vocational education allowance at 90%.

State Share: The state share is equal to the total expense of the minimum guaranteed program minus the local district resources. The county assesses 12 mills for the state share of revenues to be collected which yielded $271.2 million or 52.1% of all revenues generated. Also included in the state share are "recaptured" local resources (see Local Share).

Local Share: Computation of local resources includes the 6 mill levy assessed against the property valuation of the county. In those counties which house more than 1 school district, yield off of the 6 mill levy is pro-rated back each local school district based upon the prior year's CRU's for the district. The county tax yield at 6 mills was $45.1 million or 8.67% of all revenues.

The other portion of the local resources formula includes the 25 mill levy assessed against the current property valuation of the county. The yield is added to the following revenue sources and counted in the local resources computation: (a) land income payments made to the district by the state, (b) fines and forfeitures from the county, (c) forest reserve funds through the state from the federal government based upon the national forest acreage in the district, (d) Taylor grazing revenues, (e) motor vehicle fees from the county, and (f) tuition received for out-of-district placement in the district at 75%. The total local revenues computation is subtracted from the foundation program guarantee which yields the local district's entitlement for the year. The local district tax yield for 1990-91 was $195.96 million or 37.64% of all revenues.

If a local district's revenue yield from the above factors is greater than 109% of the state foundation minimum guarantee for that district, then the district must return those local resources to the state for redistribution to other school districts through the foundation program. This constitutes the "recapture" of the state wealth. Those local resources which are below the 109% level but above the 100% level are retained by the local district.

Weighting by Grade Level: The formula requires the district to determine it's CRU's based upon the prior school year's ADM divided by legislatively determined divisors as follows:

Level	*ADM*	*Divisor*	*Minimum Units*
Elementary:	Less than 10	8	1.00
	10 but less than 27	8	1.20
	27 but less than 44	12	3.25
	44 but less than 76	14	3.60
	76 but less than 151	16	5.36
	151 but less than 301	19	9.38
	301 but less than 501	22	15.79
	501 and over	23	22.73

Level	*ADM*	*Divisor*	*Minimum Units*
Junior High:	less than 51	13	2.00
	51 but less than 151	15	3.85
	151 but less than 301	18	10.00
	301 but less than 501	21	16.67
	501 and over	23	23.81
Senior High:	less than 76	10	00.00
	76 but less than 151	14	7.40
	151 but less than 301	17	10.71
	301 but less than 501	20	17.6
	501 and over	23	25.00

Adjustments for Special Factors: There are 2 adjustments in Wyoming. One relates to the divisors against the ADM discussed above. The other relates to the 60 day recalculation described under W.S. 21-13-308. An ADM recalculation is made the first 60 days of the current school year if the prior year's ADM is exceeded by 10%, or if the current ADM exceeds 15% by February 14th.

Districts Off Formula: Of the 49 school districts in Wyoming, there were 5 in 1990-91 that received no entitlement because their local resources exceeded the 109% of their guarantee.

III. TRANSPORTATION

Funding in 1990-91: $20.5 million (5.8% of total state school aid)

Description: A school district may calculate an allowance for the prior year's operation and maintenance expense for transportation routes at 75% of the actual expense. In Wyoming, even though school buses are considered capital outlay, one-sixth of the actual expense over the last 4 years is allowed for the purchase of buses used to transport pupils to and from school. This expense is calculated as a portion of the allowable reimbursable expenses.

State and Local Shares: The state share is determined by statute. For the operation and maintenance of transportation routes, the state share is 75%, while the district pays the remaining 25%.

Extent of Participation: All 49 Wyoming districts participate or 100%.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Local school districts have the following options for addressing their capital outlay and debt service requirements: (1) use of cash reserves for capital outlay (W.S. 16-4-105); (2) bonded indebtedness for capital construction (W.S. 21-13-701); (3) increased millage for capital construction (W.S. 21-13-101); (4) mill levy supplement to the state foundation program for capital construction projects (W.S. 21-15-105); (5) capital construction grants and loans (W.S. 21-15-106); and (6) implementation of a building or reserve fund account (W.S. 21-13-501).

Cash Reserves. A school district may appropriate funds from established revenue from any budget to a reserve account for capital improvements, depreciation within any capital improvements fund and for the purchase or replacement of specified equipment. Such an appropriation assumes that a building fund has been voter approved. All 49 school districts have cash carryover at the end of each fiscal year. The dollar amount on hand is not available.

Bonded Indebtedness. By voter approval, school districts may enter into bonded indebtedness up to 10% of assessed property valuation within the district for the sole purpose of capital construction. Of the 49 districts, 34, or 69%, carried indebtedness in fiscal year 1991 totaling $14.5 million.

Increase in Mills. School districts may levy 1 board approved mill and 2 voter approved mills for capital facility repair, maintenance, and renovation needs of the district. Of the 49 districts, 39, or 80%, of the districts used the additional mills above the required 43 mills levied for capital outlay in fiscal year 1991 totaling $7.0 million.

Mill Levy Supplement to the State Foundation Program. To assist some of the districts with low property valuation needing capital construction support, districts may apply to the state department of education for a supplement for the repayment of bonds voted for capital construction projects. The calculation is based upon the district's assessed valuation per ADM compared to the statewide assessed valuation per ADM, divided by the statewide assessed valuation. The sum of this computation is multiplied by the current years principal and interest payments on the bonds less 2 mills of the district's assessed valuation. The number of districts participating in this program is not available. The total cost was $2.7 million.

Capital Construction Grants and Loans. Capital construction project funds are distributed through the farm loan board based upon statutory criteria and the local district reaching the 80% of value of assessed property debt limitation. This program is particularly helpful to school districts whose bonded indebtedness increased to 120% of the debt limitation due to declining assessed valuation. The number of districts participating is not available. The total cost was $3.8 million. The dollar amount represents 1.1% of all state school aid.

Building a Reserve Fund Account. With voter approval, a special building fund or reserve fund can be established by the school district for acquiring land, building, building enlargement, and equipping of a building. The special fund is in addition to existing bonded indebtedness. The number of districts with such a reserve account and the dollar amount are not available.

Capital Outlay. School districts may purchase directly out of their general funds computers or other equipment and school buses. The number of districts making such purchases is not available. The total outlay was $1.6 million.

V. TEACHER RETIREMENT

Description: Teacher retirement and FICA contributions are made by the local district from general fund revenues. All 49 districts pay the employees share of the retirement contribution at a rate of 5.57% of salaries. There is no state aid which directly supports such contributions. Since the state does not set teacher salaries, the payment of the employees portion is contingent upon the negotiated contracts within each of the school districts.

VI. SPECIAL EDUCATION

Funding in 1990-91: $52.2 million (14.7% of total state school aid)

Description: Under W.S. 21-13-309, school districts with special education students identified as having a mental, physical, or psychological handicap which impairs learning are entitled to supplementary reimbursement at 85% of the previous year's actual expense. Such expense includes educational diagnosis and evaluation, tuition and maintenance of children attending in another school district within the state, education services for the special education student within the district, and salaries and benefits for special education teachers. If special education students are placed out-of-state because there is not a suitable placement in-state as judged by the state department of education, the reimbursement of the previous year's expense is at 80% instead of 85%.

State and Local Shares: School district's are responsible for 15% of the previous year's actual expense.

Extent of Participation: 49 districts or 100%

VII. COMPENSATORY EDUCATION

Funding in 1990-91: $1.0 million (less than 1.0% of total state school aid)

Description: School districts apply for the funds based upon the percentage of district-wide students at or below the 20th percentile as measured by the district's standardized test, but who are not identified as learning disabled students. These students may be identified as "at-risk" or simply need some remediation in subject matter areas such as reading or math.

State and Local Shares: Local districts may contribute to the program from their general fund, but it is not required.

Extent of Participation: 46 districts or 94%

VIII. GIFTED AND TALENTED EDUCATION

Funding in 1990-91: $0.35 million (less than 1.0% of total state school aid)

Description: Funding is based upon the local district identifying the criteria for giftedness, how they identified such criteria, and the development of a program plan to serve those students. Up to 3% of the district's total enrollment may be identified as having giftedness.

State and Local Shares: Local districts may contribute to the program form their general fund, but it is not required.

Extent of Participation: 32 districts or 65%

IX. BILINGUAL EDUCATION

None.

X. OTHER CATEGORICAL PROGRAMS

Other programs which may be of interest include the Wyoming Education Trust Fund for local district innovative programs, W.S. 21-22-101 through 109; vocational education programs W.S. 21-13-309; and funding for 1 teacher schools, W.S. 21-13-309.

Wyoming Education Trust Fund

Funding in 1990-91: $10 million (2.8% of total state school aid)

Description: Competitive innovative program grants are awarded to local districts, the University of Wyoming, and Wyoming community colleges based upon criteria established by an advisory committee. Such grants are awarded to school districts for programs providing for innovation in or improvement to public education to include: curriculum development activities; operational initiatives such as modification of class schedules, school day, school week; administrator, staff development, and improvement programs; acquisition of technology; applied technology and science programs designed to meet future labor market; technical preparation programs integrating specific public school programs: evaluation programs designed to determine the affect and achievement of innovative programs; and regional development programs. *This fund was cut to defray revenue shortfall for the foundation program in 1992 by the legislature.*

State and Local Shares: These grants are funded at 50% for schools, 25% for community colleges, and 25% for the University of Wyoming. Actual expenditure out of the fund for 1990-91 was $1.2 million. Local districts may contribute local revenues to these projects, but it is not required.

Extent of Participation: 23 districts or 47%

Vocational Education

Funding in 1990-91: $44.9 million (12.7% of total state school aid)

Description: Due to changes in the funding formula for vocational education, which now requires a gradual roll-in of categorical funds into the general CRU value, there will not be categorical funds after 1995. The roll-in is to occur over a 4-year period at 80% of the 1990-91 distribution in 1991-92; 60% of the 1990-91 distribution in 1992-93; 40% of the 1990-91 distribution in 1993-94; and 20% of the 1990-91 distribution in 1994-95.

State and Local Shares: Distribution is based upon the 80% of the distribution for 1990-91. Local districts will pick up the proportionate share over the increase in the CRU for vocational education.

Extent of Participation: 49 districts or 100%

One Teacher Schools

Funding in 1990-92: $2.1 million (less than 1.0% of total state school aid)

Description: These schools are funded at actual expense of the previous year's operational expense up to a maximum of the current CRU value. The expenses are to include operation and maintenance of the school.

State and Local Shares: The state reimburses the district at 100% of actual expense. Local district's are not required to provide any fiscal support for these schools.

Extent of Participation: 21 districts or 43%

XI. STATE AID FOR PRIVATE K-12 SCHOOLS

None.

XII. PREKINDERGARTEN EDUCATION

None.

XIII. LOCAL SCHOOL REVENUE

All 49 school districts in Wyoming are required to count as local resources the following revenues generated at the local level: 25 mills times the local assessed property valuation; 6 county mills times the local assessed property valuation; fines and forfeitures; motor vehicle fees; tuition received for out-of-district student placement at 75%; land income payments; forest reserve funds; and Taylor Grazing Act revenues. Statewide averages for the 1989-90 foundation program year show fines and forfeitures, tuition received, forest reserve funds, and Taylor Grazing Act revenues accounted for 2.4% of the total local district revenues; while the land income fund generated 21.5%; and motor vehicles generated 5.1%.

Property is assessed at the following ratios: (1) 9.5% of fair market value for commercial and residential property, (2) 11.5% for industrial property, and (3) mineral extraction industries at 100%.

Counties with more than 1 school district are required to receive the county 6 mills on a pro rata basis as identified by the calculated CRU's of the district.

XIV. TAX AND SPENDING LIMITS

See Local Share in Section II — Basic Support Program.

XV. EARMARKED STATE REVENUE

The federal government returns 50% of the mineral production taxes to the state of which 44.8% of the returned monies is dispersed to the school foundation program.

ALBERTA

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I. GENERAL BACKGROUND

- The funding of education in Alberta is a cooperative and joint undertaking of locally elected school boards and the provincial government. School boards are responsible for a portion of education costs through taxation on both residential and non-residential property, while the province provides a major portion of funds from general revenues and a tax levy on non-residential property. In 1990-91, school jurisdictions were estimated to receive approximately 59 percent of their revenues from the provincial government, 35 percent from local property taxes, and 5 percent from miscellaneous fees and charges.
- In 1990-91, the Alberta Government provided $1.6 billion in a variety of grants and support programs for elementary and secondary education. This represented an increase of 6.0 percent over 1989-90.

1990-91 School Year Statistics

No. of Operating School Jurisdictions:	139
Consisting of:	
School Divisions	31
Counties	30
Public School Districts	28
Roman Catholic Separate School Districts	44
Other Districts	6
No. of Public and Separate Schools	1,562
Total Student Enrollment (ECS to Grade 12)	486,612
No. of Registered Private Schools	138
Total Private Student Enrollment (ECS to Grade 12)	16,436

General Provincial Revenue

- Seventy-five percent of the funds distributed by the Alberta Government are provided unconditionally through the School Foundation Program Fund (SFPF). The SFPF covers basic instruction, transportation, and debt retirement support for school construction. The majority of the SFPF is derived from provincial general revenues.
- The remaining 25 percent of the funds distributed by the provincial government are conditionally distributed through special funding under the Department of Education Act. These provide support for specific programs and unique local conditions including Early Childhood Services (ECS), Special Education, Community Schools, High Needs Schools and Equity Grants.

Local Property Taxes

- Locally elected school boards are responsible for a portion of education costs through taxation on both residential and non-residential property. There are no restrictions on the ability of school boards to tax locally. Each year, school jurisdictions determine the funds required to support their share of the costs of local school programs. They requisition the tax revenues from the contributing municipalities. The rate of taxation is determined by the property value of the municipalities located within the school jurisdiction, and by the revenue required. The tax rate is expressed as a "mill rate." A mill rate is one dollar of tax revenue for every $1,000 of assessment. Revenues generated from local property taxes represent approximately 35 percent of the total funding for education.

Miscellaneous Revenue

- Miscellaneous revenue is derived from tuition fees, transportation fees, federal grants, private donations, and revenue from cafeteria and book sales.

II. THE BASIC SUPPORT PROGRAM

School Foundation Program Fund

Approximately 75 percent of the provincial grants to school jurisdictions are distributed through the School Foundation Program Fund (SFPF) which is funded by the general revenues of the province (85 percent), and by a provincially set tax levy on non-residential property (15 percent).

General revenues of the province are obtained from income tax; resource revenues (i.e., oil and gas); commodity taxes (i.e., liquor and cigarettes); and other miscellaneous fees or charges. The province wide levy, described as the SFPF levy on non-residential property, is set by the province and collected by the municipalities and remitted back to the Provincial Treasurer.

The school foundation programs include provincial support for basic per student instruction, student transportation, and approved construction and modernization of school buildings (based on debenture and capital loan repayment installments).

The largest SFPF portion (77 percent) is for instruction, and is distributed on a per student basis, derived from a September 30th enrollment count date.

Basic (Instruction) Per Student Grants

Basic per student instructional grants are provided by the provincial government to school jurisdictions to support the provision of instruction in Grades 1-12. In 1990-91, school jurisdictions received:

1990-91 SFPF Rates	*Weighting Factor with Elementary as 1.00 Base*
$2,027 for each elementary student	1.00
$2,180 for each junior high student	1.075
$2,351 for each senior high student	1.16

III. TRANSPORTATION

There are three main categories of student transportation grants: support to school jurisdictions in rural areas; support to school jurisdictions in urban areas; and special transportation support. School jurisdictions are eligible for student transportation if a student resides at least 2.4 kilometers from the school designated by the jurisdiction for the student to attend. This distance requirement does not apply in the case of transportation of disabled students.

Rural Transportation

School jurisdictions in rural areas receive provincial support to operate school buses, or vehicles other than school buses to transport eligible passengers to attend school. In 1990-91, rural school jurisdictions received a daily rate per school bus ranging from $49 to $73.10 depending on the size of the bus. The above grants are calculated on the basis of a minimum load factor of 85 percent of the rated seating capacity of the school jurisdiction's fleet of buses. Where the load factor (or occupancy) in less than 85 percent, funding is prorated down. Distance traveled by buses in excess of 65 kilometers per day was also supported at a rate of $.61 per kilometre.

Urban Transportation

School jurisdictions in urban areas receive provincial support to transport eligible transported students to and from school, either by school bus or public transit system. In 1990-91, urban school jurisdictions received $266 per eligible passenger. The provincial government provides basic block funding support to the four largest urban school jurisdictions. A grant of $352 per expected eligible passenger in 1990-91 was allocated to these boards.

Special Transportation and Weekend Transportation Disabled Funded Students

All school jurisdictions except for those receiving the urban block grant are eligible to receive provincial support to meet the unique transportation requirements of disabled students:

- $1,516 per student for basic special education transportation;
- $2,543 per student for special education weekend transportation.

Maintenance (Boarding) Allowance

The provincial government also provides support to school jurisdictions required to maintain a student temporarily in a residence other than that of the student's parents in order to provide the student with an appropriate educational program. In 1990-91, school jurisdictions received $2,284 per served student.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Approval and Funding Procedures

Capital projects must meet the approval of the School Buildings Board before receiving provincial funding. School jurisdictions are required to annually submit their capital project applications in order of priority. The School Buildings Board then ranks the projects on a provincial basis before approving the highest priority projects within the constraint of the provincial School Capital Funding Plan.

The actual financing of projects that exceed $100,000 in provincial support is usually through debenture borrowing from the Alberta Municipal Financing Corporation (AMFC) with the prior approval of the Local Authorities Board (LAB). For projects equal to or less than $100,000 in provincial support, financing can be done through short term loans (five years or less), or in the case of Building Quality Restoration Projects (BQRP) by way of an outright grant. Provincial support is based on that proportion of the debenture that relates to the provincially supported portion of the project. Actual grant payments equal the supported principal and interest repayment installments that the board will have to pay in a given year. The unsupported balance of the debenture payments are financed through the local school board's property tax base. Within specific limits, the provincially supported portion (average support is close to 60 percent) varies in direct proportion to the utilization of school space by the school board, and in inverse proportion to the school jurisdiction assessment per student.

School Capital Funding Plan

The Government of Alberta has completed a three year $270 million 1988-90 school capital plan, and has started into a new five year $700 million plan for 1991-95. These plans reflect the amount of approved supported debentures. The actual debt retirement payments made by the province amounted to $179.5 million in 1990-91 or 11.3 percent of total provincial grants to school authorities.

V. TEACHER RETIREMENT

The cost of the Teachers' Retirement Fund is shared by the provincial government and teachers, with local school boards making no contributions.

For the 1990-91 school year, teachers contributed at an effective rate of 4.3 percent of their salaries. The provincial government, rather than paying one-half of the current service cost like the teachers, pay one-half of the pensions paid out to retirees. This provincial contribution to the Teachers' Retirement Fund is part of the provincial grant budget for education, and amounted to $70.3 million in 1990-91.

There currently are negotiations taking place between the Province and the Alberta Teachers' Association regarding reforms to the Teachers' Retirement Fund. One objective of the negotiations is for the provincial government to start matching teacher contributions, instead of paying one-half of the pensions paid out. Another objective is to deal with the unfunded liability that has built up over the years.

VI. SPECIAL EDUCATION

Special Education support is provided to assist school jurisdictions in developing programs for students with educational disabilities as well as programs for gifted and talented students. In addition, funding is provided for those exceptional students who are institutionalized or homebound (School Act, Sections 27-29). In the 1990-91 school years, total provincial funding to students in special education programs amounted to $102.8 million. School jurisdictions may be eligible for the following grants:

- Special Education Block Grant;
- High Incidence Grant;
- Institutional Support Grant;
- Resident Students of the Government Grant;
- Regional Assessment Services Grant (SIMH).

Special Education Block Grant

The funding formula for Special Education Block Grant was based upon $181 per resident student in Grades 1-12. School jurisdictions within provincial policies were responsible for the identification, assessment, programming and placement of exceptional students in different programs or an adaptation or modification to the regular school program. All school jurisdictions participated in this program receiving a total of $82.4 million.

High Incidence Grant

The High Incidence Grant was available for school jurisdictions experiencing a greater than average percentage of severely handicapped students. School jurisdictions received $9,600 for each severely handicapped student in excess of the provincial average incidence, currently at .75 percent. Fifty-seven school jurisdictions participated, receiving a total of $5.3 million.

Institutional Support Grant

This grant is provided to school jurisdictions which operate educational programs for students in approved institutions or group homes. The grant entitlement is based upon the number of approved teaching positions in the institutions. In 1990-91, provincial funding was $23,695 per approved teaching position eight school jurisdictions participated.

Resident Students of the Government

(School Act, Section 27[6])

Resident Students of the Government must be one of the following before the provincial government will pay the total educational costs:

a. a student who resides in an unorganized territory, and who is not an Indian on a reserve;

b. a student in custody under the Corrections Act, Penitentiary Act, or the Young Offenders Act;

c. a student who is in the custody of a Director or guardian as defined by the Welfare Act;

d. a student who is under long-term medical care in an institution.

This grant is provided to school jurisdictions in support of approved education programs for students who are deemed Resident Students of the Government. The grant is based upon the number of students qualifying; the nature of the students needs; the program provided; and the duration of the placement. In 1990-91, 44 school jurisdictions participated, receiving a total of $11.5 million.

Regional Assessment Services Grant

The provincial government provides funding to school jurisdictions under contract for the provision of services for sensory impaired multi-handicapped students from age 2-1/2 to less than 20 years of age. Three school jurisdictions participated, receiving a total of $3.7 million.

VII. COMPENSATORY EDUCATION

High Needs School Grant

The provincial government provides funding to enhance the learning and development of students attending high needs schools. The initial focus is on Edmonton and Calgary because the size and severity of need is greatest in these two communities. High needs school typically have significant numbers of students who are disadvantaged educationally, socially, and economically. The funding is in the form of a block grant to the four participating school jurisdictions. The specific allocations are based on aggregate needs as established through the use of socio-economic variables. Funding allocations to individual schools are determined by the local school jurisdiction. In 1990-91, four school jurisdictions participated, receiving a total of $2.6 million.

VIII. GIFTED AND TALENTED EDUCATION

See Section VI — Special Education.

IX. BILINGUAL EDUCATION

Language Grants

In 1990-91, language grants amounted to $10.5 million.

French Language Programs
(School Act, Sections 6 and 16)

Because of the bilingual nature of Canada, the provincial government encourages opportunities for all Alberta students to learn French by supporting programs and services for French Immersion and French Second Language courses. Provincial funding is integrated with funds available from the Government of Canada, and is distributed on the basis of the grant applicant's count of full-time equivalent students in the program. In 1990-91, school jurisdictions were eligible for:

- $356 per funded elementary student;
- $435 per funded secondary student enrolled in a French language education program or immersion program.

Forty-four jurisdictions participated.

Languages Other Than English or French
(School Act, Preamble 4; Sections 6 and 16)

Provincial support is provided to students who wish to acquire or maintain languages other than English or French so that they may have access to a partial immersion bilingual program or second language courses in languages other than English or French. Such funding is distributed on the basis of the grant applicant's eligible student count. In 1990-91, $131 per funded student enrolled was provided to eligible school jurisdictions. Seven school jurisdictions participated.

English as a Second Language
(School Act, Section 4)

In order to facilitate the integration of the students into the regular school program at the earliest possible opportunity, the provincial government assists school jurisdictions in providing English as a Second Language programs to Alberta students who have recently arrived in Canada, and require special assistance in learning English as a Second Language, so they can follow instruction in English. The grant is paid on the basis of $698 per eligible student in the program. Students enrolled in this program are eligible for funding for three consecutive school years. Eighty-three school jurisdictions participated.

Native Education
(Department of Education Act, Section 7)

The provincial government provides support to school jurisdictions for the provision of educational programs and services designed to enhance the opportunities for Native students to acquire a high quality education. These programs and services also provide opportunities for native people to help guide and shape the education of their children. They will also provide opportunities for all Alberta students to develop an understanding and appreciation of native histories, cultures and life-styles. The Native Education grants are provided for approved projects to eligible school jurisdictions enrolling significant numbers of native students. The current annual grant of $4.5 million is supporting 46 projects involving 55 school systems, including rural and urban boards. Most of the projects have a Native home/school worker, and about 150 Native adults are employed as a result of the Native Education Project. Some of the projects include: making course available in Cree and Blackfoot for ECS to Grade 9; developing senior high programs in both of these languages; sponsoring annual Provincial Native Parents' Conferences; and holding Native Awareness Seminars for teachers and administrators.

X. OTHER CATEGORICAL PROGRAMS

Fiscal Equity Grant

The Fiscal Equity Grant compensates school jurisdictions for factors which contribute to inequities and which are beyond the control of a jurisdiction. These factors are represented by the three components of the equity grant: fiscal capacity, sparsity and distance. Under each component, a benchmark is set in order to determine which jurisdictions experience the greatest inequity.

The majority of the equity funding is distributed under the fiscal capacity component. The further a jurisdiction's assessment per student is below the provincial average, the larger the grant per resident student. Jurisdictions wealthier than the provincial average for fiscal capacity, will have their sparsity and distance funding reduced, since they can afford to pay for any higher local costs out of revenues generated from their local tax base.

The sparsity component provides funding support for jurisdictions that serve sparsely populated areas. This component is intended to compensate for higher per student costs caused by low pupil/teacher ratios and necessary smallness of schools. Sparsity is measured on the basis of jurisdiction area divided by the resident student count, and adjusted for the proportion of students living in smaller municipalities. Therefore, the higher the sparsity measure, the larger the grant per student.

The distance component provides funding support for jurisdictions which operate at a distance from major supply centres. The greater the distance from the school jurisdiction office to the nearest major city, the higher the grant per student

The three components are added together to determine the jurisdiction's "equity potential" for that year. The actual equity grant will be based on the difference between a jurisdiction's 1989-90 grant, and their 1990-91 equity potential.

In 1990-91, 127 of 187 jurisdictions qualified for fiscal equity funding, receiving a total of $66.4 million.

Vocational Education

Vocational Education programs and courses are available to Alberta high school students who wish to develop skills in a number of trade, service or technology oriented career fields. They are able to progress through the preparation levels so that they may leave high school with job entry skills leading directly to employment or to further training and education.

In 1990-91, Vocational Education grants amounted to $8.4 million. Grants are distributed on the basis of a dollar rate per credit enrollment unit. Students who have difficulty in regular secondary school programs, and who require a program to enhance their basic competencies and their ability to enter into employment and/or further training, are assisted through the provision of the Academic-Occupational Program (AO), and the Integrated Occupational Program (IOP). The provincial government provides financial assistance on the basis of a dollar amount per eligible student enrolled in the Academic-Occupational Program, and a per student grant for each student enrolled in an approved IOP to a maximum total figure of 5 percent of the resident student population, grades 8 through 12. All academic-occupational program grants will cease August 31, 1992, and be taken over by the Integrated Occupational Program.

School Extension
(School Act, Section 38)

There is a number of students who are either beyond the normal school age or for other reasons may wish to attend school outside the regular school hours or during the summer. For these students, school authorities have made special provisions, and the provincial government has provided additional funding, and other support. Provincial funding for extension program is provided through a grant based on a dollar rate for each enrollment course hour or, for special education extension programs, a grant for each eligible special education extension student. In 1990-91, school Extension grants amounted to $9.4 million.

Community Schools
(Department of Education Act, Section 7)

A basic operating principle for the community school is that a sense of community is important, and that people who live in a community should have substantial influence over the destiny of that community and its school. The Interdepartmental Community School Committee (ISCSC) was established in 1975, and the present concept of the Community School has been developed since that time. In 1990-91, the province provided up to $76,052 per designated community school. In 1990-91, 36 school jurisdictions participated, receiving a total of $4.8 million.

Basic Learning Resource Acquisition Subsidy
(Department of Education Act, Section 7)

In order to encourage schools and school authorities to make basic learning resources more readily available to students and teachers, the provincial government provides instructional materials at subsidized prices through the Learning Resources Distributing Centre (LRDC). The subsidy is 25 percent. To qualify for the subsidy, an eligible school authority must provide the purchased basic learning resources to their ECS to grade 12 students either as a free loan or at a fee of no more than one-third of the current subsidy price from the LRDC. In 1990-91, all school jurisdictions participated in receiving a total of $5.0 million.

Secondary Education Implementation Credit Allocation Grant
(Department of Education Act, Section 7)

In order to assist schools in implementing the new Secondary Education programs for students in grades 7 - 12, additional funding, through the Secondary Education Implementation Credit Allocation Grant (SEICAG), is provided for the purchase of specific, eligible learning resources on a per student grant basis, as well as teacher inservice activities related to the implementation of the secondary education program curriculum. In 1990-91, 133 school jurisdictions participated, receiving a total of $4.2 million.

School Food Services

The provincial government provides funding for the provision of school lunch programs. In 1990-91, approximately 30 school lunch programs serving a total of 3,641 students were administered by the Northland School Division which amounted to $2.8 million.

XI. AID FOR PRIVATE SCHOOLS

Private schools are recognized by the provincial government as a valid alternative to public schools (School Act, Preamble 2, Department of Education Act, Section 7). The province has established two categories of private schools, accredited private schools, and registered private schools. Funding is provided by the provincial government to accredited private schools which employ certificated teachers; follow the Alberta curriculum; have students write achievement tests and diploma examinations; and meet provincial health and safety standards. Private school grant rates are set at 75 percent of the public school rates. In 1990-91, there were 110 funded private schools in the province receiving a total of $20.7 million.

Accredited private schools were eligible for:

- basic instructional grants — $1,520 per elementary student; $1,635 per junior high student; and a maximum of $1,764 per senior high student;
- students receiving instruction in the French language — $356 per elementary student; and $435 per secondary student;
- offering instruction to day, evening or summer extension programs — $3.25 per enrollment course hour (one hour of teacher-student instruction in an extension course that is part of an approved extension program);
- purchasing specific eligible learning resources — $14.50 per secondary student; and teacher inservice activities related to the implementation of the secondary education program — $6.20 per secondary student.

XII. PREKINDERGARTEN EDUCATION

Early Childhood Services (ECS) programs are voluntary programs offered by school jurisdictions and private ECS operators to integrate educational, health, recreational, and social services for young children who meet eligibility criteria, in order to meet their developmental needs in the transition from home to school (School Act, Section 24; Department of Education, Section 6). To qualify, a child must be a minimum of 4 years and 6 months on September 1 of the program year in which he/she is counted. In 1990-91, Early Childhood Services funding amounted to $77.7 million.

Approved private ECS operators and school jurisdictions that offered ECS programs were eligible to receive a basic instructional grant of $1,182 per child (including parent resources and regional coordination). In addition to basic instruction grants, ECS operators were eligible to receive funds for:

- children with special needs — $1,386 per mild/moderate handicapped child, and up to a maximum of $22,431 per severely handicapped child;
- children living in a disadvantaged area — $332 per child;
- operating in small rural centres where the enrollment is less than 20 — up to a maximum of $5,765;
- children requiring transportation to attend ECS programs and visits made by teachers — $2.38 per round trip for rural and urban regular transportation; and $9.00 per round trip for special disabled and in-home transportation. Distance requirement was in effect, but, at the discretion of the ECS operators, to be considered as reasonable;
- children in language programs — $356 per full-time equivalent child receiving instruction in the French language; and $56 per child receiving instruction in languages other than English or French;
- contributions made to the Canada Pension Plan on behalf of ECS teachers — $6.55 per child;
- upgrading or modifying existing buildings.

XIII. TAX AND SPENDING LIMITS

School boards currently determine the size of their operating budget by using supplementary requisitions to make up the difference between their total expenditures, and the provincial grants that they receive.

The Minister of Education has the authority (School Act: Section 150 [7]) to make regulations limiting the amount of money a school board may requisition from a municipality. The Minister, however, has chosen not to impose limits on school boards at this time. Previous use of limits was ineffective as the maximum level became a minimum target for school boards.

School boards are permitted to budget for a surplus or a deficit without being required to consume a surplus or recover a deficit in the following year. They are not permitted to have operating reserves like Alberta municipalities, but they are allowed capital reserves. This system provides flexibility and autonomy for school boards. It also has the advantage of simplifying the school jurisdiction's operating financial position by clearly identifying the current year's surplus or deficit, as well as any accumulated surplus or deficit.

XIV. NATURE OF THE PROPERTY TAX ASSESSMENT SYSTEM

In Alberta, two assessment bases are used in determining education taxes. Live or taxable, assessments are used by municipalities to determine the taxes levied on each property owner. Since municipalities conduct their general property assessments at different times (up to 8 years apart), a valid comparison of their wealth using live assessment is not possible. To do so would inequitably distribute the contribution by each municipality to the various cost-shared programs. Equalized assessment is calculated by the Province's Assessment Equalization Board, every year, in order to approximate each municipality's total assessment as if they had just completed a general property assessment in the previous year.

Assessment for land is based on 65 percent of fair market value. Building assessments are based on 65 percent of their current replacement cost, less depreciation since the last general assessment. Farmland is valued at 65 percent of its economic value.

Municipalities can hire either provincial or private assessors to conduct their annual live assessment updates. All assessors must follow regulated assessment manuals with provincial inspections performed on a regular basis.

Supplementary requisitions are the local tax revenues received by school boards to cover expenditures not funded by the province. A school board requisitions the appropriate municipality for the necessary funds. The municipality then raises the required revenues from their live assessment base, which includes commercial, industrial, farmland, and residential property.

The provincial government also raises revenue from the property tax base. The School Foundation Program Fund levy is applied against municipalities on the basis of their equalized assessment with residential property and farmland being exempt.

XV. EARMARKED PROVINCIAL REVENUE

Property taxes raised by the province are earmarked for education. (See Section XIV.)

BRITISH COLUMBIA

Rob Gage
Ministry of Education

I. GENERAL BACKGROUND

In 1990/91, British Columbia had 507,397 public school F.T.E. students enrolled in the primary program to the graduate program. More than half of these students are concentrated in the metropolitan areas of Vancouver and Victoria. In the province's 75 school districts, enrollments range from as few as 400 students in rural areas up to 53,000 students in Vancouver. In addition, there were 38,066 F.T.E. students enrolled in 278 independent schools.

II. BASIC SUPPORT PROGRAMS

On January 31, 1990, the Minister of Education announced changes to the system for funding public schools for the 1990/91 school year. The new system was based on a "block funding" concept, recommended by the Royal Commission on Education. Under this system, the government allocates an overall block of public funds from provincial general revenue for public education in the province. The initial block was established by taking all budgeted expenditures approved by Boards for the 1989/90 school year. This block has been adjusted annually for changes in enrollment, mandate and economic factors. The block is distributed by the Ministry of Education to school districts using a resource cost model called the fiscal framework and, in part, historical spending patterns of School Boards. This system takes into account individual characteristics of school districts, such as size and remoteness, and different requirements of students in the system, based on such factors as grade levels and special needs. The block is funded entirely out of provincial government revenues, which now include residential school taxes.

In 1990/91, there were 507,397 students, and the per pupil block amount was $5,259. This generated $2.67 billion.

Block Funding System

The initial block was established by taking all budgeted expenditures approved by boards for the 1989/90 school year. This block has been adjusted annually for enrollment change, changes in mandate and economic factors. The block is distributed by the Ministry of Education to school districts using the fiscal framework and, in part, historical spending patterns of school boards. The block is funded entirely out of provincial government revenues, which now include residential school taxes.

Building the Block

The base block was established by using 1989/90 spending levels and included the following amounts:

Shareable Operating:	$1,975.1 million

> This was previously the amounts of school district budgets in which the Province was willing to share. These costs were identified through the fiscal framework. It took into account the various program costs and service levels of a basic education, excluding federal French funding and Provincial Resource Program funding.

Additional Supplementary Operating: $238.1 million

These were additional amounts that boards added through local taxation to fund additional programs and operating costs.

Annual Capital Allowance: $23.6 million

This was used by districts to upgrade buildings, such as installing new roofs, and changes to classrooms for shelving, computer labs, sinks, flooring, etc.

Local Capital: $31.0 million

This was used by districts to purchase new equipment or site improvements, such as playground equipment or paving.

Teacher Pension Costs: $138.9 million

This was the employer portion of the teacher pension benefit.

Funds for Personal Care Attendants: $9.5 million

These were the funds provided by the Ministry of Education for personal care attendants under the Chance program.

The 1989/90 base block totaled $2,416 million.

Annual Adjustments to the Block

The Block is adjusted annually for:

(1) Economic Indicators

The economic adjustment in the Block takes into consideration:

- price inflation over the previous twelve months,
- public and private wage settlements,
- current and projected revenues and expenditures for the province, and
- the nature of the economy.

(2) Changes in Enrollment

Projected FTE enrollment has increased over the past three years:

1989/90	1990/91	1991/92*
487,751	507,397	519,696

These increases are automatically built into the block since the block is determined by multiplying the per pupil block amount by the number of pupils.

(3) Other adjustments (including changes in mandate)

There were no other adjustments in 1990/91.

* Examples in 1991/92 include an adjustment of $28 per pupil to recognize the substantial increase in the number of students in special programs relative to the overall student population, and an increase of $15 per pupil to incorporate learning resources and primary transportation which had previously been funded through separate targeted grants.

For the 1990/91 school year, the following steps were taken:

1. The base which totaled $2.416 billion, was converted to a per pupil amount of $4,954.
2. This amount was adjusted by an economic adjustment factor of $305 per pupil (6.17%), and resulted in a per pupil block amount of $5,259.
3. This per pupil amount was multiplied by the projected enrollment for September 1990 of 505,110 students, to generate a total block of $2.656 billion.

- For the 1991/92 school year, the following steps were taken:

1. The per pupil block amount of $5,259 was taken as the base per pupil block amount.
2. This amount was increased by $28 per pupil for changes in the student composition, and $15 per pupil for additional learning resources and primary transportation.
3. The sum of these amounts were adjusted by an economic adjustment factor of $198 per pupil (3.75%), and resulted in a per pupil block amount of $5,500.
4. This per pupil amount was multiplied by the projected enrollment for September 1991 of 519,696 students, to generate a total block of $2.858 billion.

Allocating the Block

The block funding system establishes an average per pupil amount for each Full Time Equivalent (F.T.E.) student in public schools in the province.

In order to provide equal educational opportunities for all students, however, this average per student amount could not be applied to each school district. In determining the appropriate per student amount for each district, two factors were considered. These were:

- the district's fiscal framework; and
- actual spending patterns of school boards.

The Fiscal Framework

In order to recognize variations in cost across the province and provide as much equality of access to educational services as possible, the Ministry of Education introduced the Fiscal Framework in 1984. It was a model which attempted to describe an appropriate educational program, and to attach specific district costs to its delivery, in order to determine acceptable expenditure levels. In the research literature, such systems are referred to as "resource cost models." The resulting resource cost model was called the "Fiscal Framework."

The fiscal framework is made up of approximately 70 formulae each describing an appropriate educational activity that might occur in each district. These activities or programs are grouped into five functions. These broad educational service areas include:

- Instruction
- District Administration
- Operations and Maintenance
- Other Services
- Transportation and Housing

The service levels and cost factors result in variations in costs recognized by the fiscal framework. Service levels define an amount of educational activity required to deliver a standard level of educational service. More intensive services are required for special needs students. As a result, districts with a greater proportion of special needs students tend to have higher fiscal frameworks.

Cost factors reflect the estimated cost of providing in each district the service described in the service levels. Higher transportation costs are experienced in districts that have students traveling long distances to school; higher heating costs occur in districts with colder climates; higher freight costs occur in districts which are further away from large centres. As a result, districts with higher costs in providing services tend to have higher fiscal frameworks.

The cost identified for each program in the fiscal framework is calculated using the service levels and cost factors (see Diagrams below). The resulting allocations are summed to the function level. The total of the five functions is the total fiscal framework amount.

The following diagrams provide an example of how the service levels and cost factors are applied.

STEP 1

No. of pupils (Forwarded by District)		Standard Level of Service	=	No. of Teaching Units to Support the Level of Service

STEP 2

No. of Teaching Units	•	Cost of providing for Teaching Unit	=	Funding in $

Example: Grade 1-7 Instruction

STEP 1

500 Pupils	+	Class size of 25 pupils	=	20 Teaching Units

STEP 2

20 Teaching Units	•	$53,000	=	$1,060,000

Actual Spending Patterns

A secondary consideration in determining each school district's per student block amount is the district's actual spending patterns. Until the 1990/91 school year, school boards were able to supplement their fiscal frameworks through local taxation. The total of these amounts combined with local revenue was the total budgeted expenditure of each school board to offer an educational program in their districts.

Actual 1989/90 spending levels were determined by identifying the amount that districts budgeted above their fiscal frameworks (excluding local revenue) expressed as a percentage of the fiscal framework. This percentage ranged from 0.1% to 29.4%, and averaged 13.4%.

Blending the Fiscal Framework with Actual Spending Patterns

The Royal Commission on Education had recommended that the fiscal framework be used as the allocator of the block. However, using the fiscal framework alone resulted in significant shifts in funding between districts. As a result, the allocation of the block was determined using a blend of the fiscal framework and actual spending patterns. In 1990/91, 70% of the actual spending percentage was recognized in determining the allocation.

*In 1991/92, this percentage was reduced to 40% of the actual spending percentage.

This blend resulted in a Weighting Factor by which the provincial average per pupil amount ($5,259 in 1990/91) was adjusted to determine the per pupil block amount for each district. The weighting factor varied from 86.4% to 247.9% and resulted in the district per student Block Amount ranging from $4,544 to $13,037.

***Special Purpose Grants for 1991/92**

The allocation adjustment ensured that districts with higher than average spending above the fiscal framework, were given time to adjust spending levels and avoid drastic reductions in levels of service. To avoid these additional resources being provided at the expense of school districts which had lower than average actual spending percentages, a special purpose grant was provided in 1991/92 that would guarantee that these districts would receive an amount generated if the block had been distributed only on the fiscal framework.

Components of the District Block

The block of funds available to school districts are divided into four components. These are:

Learning Resources	0.5%
Annual Capital Allowance	0.9%
Accreditation	0.1%
Unallocated Block	98.5%

Of these, the funds for Learning Resources are either held by the Ministry and allocated on behalf of school districts for the "Credit Allocation Plan" or for the purchase of video acquisition rights; or are distributed to school districts through targeted grants for the purchase of recommended learning resources.

Funds for Annual Capital Allowance and Accreditation are sent to school districts, but are provided to the district for specific uses.

The unallocated block is available for school boards to budget in any program area.

In addition to the block, there were Provincial funds for Debt Servicing of Capital Construction costs. These funds totaled $201.9 million in 1990/91. These funds were specifically provided to finance the debt for minor and major capital construction costs that had been approved by the province.

Recalculating the Block Funding System

The block of funds is allocated to school districts in February of each year based on projected enrollments. This projected allocation enables districts to set budgets for the school year commencing July 1st.

Once actual enrollments are identified, the Block is recalculated using actual September 30th enrollments and other updated cost factors, and revised grant schedules are established.

The timelines around the recalculation of the Block are as follows:

September 30th	— enrollments are recorded by schools
October	— data received by the Ministry
November	— corrections and adjustments made to the data
December	— the block is recalculated and revised grant scheduled announced
January-March	— random enrollment audits are made by the Ministry and grants adjusted where appropriate

Reviewing the Block Funding System

Although the Government establishes the overall levels of funding for the block, the Minister of Education is responsible for the allocation of the block between the 75 school districts.

To assist the Minister in reviewing this process, the Ministry has established a procedure to examine the allocation system. In 1990/91, the Ministry of Education collected all suggestions for changes and improvements to the fiscal framework and allocation systems that had been submitted to the Ministry over the previous year. A careful review of these suggestions was undertaken by the Financial Management System Review Committee (a committee of Superintendents and Secretary- Treasurers selected by their respective associations). To carry out this review, information was gathered on school enrollments, teacher salaries, and other cost factors which affect the delivery of the school programs. In addition, the committee members provided their own experiences relating to effective methods of providing programs in the schools. From this review, a set of recommendations of possible changes was submitted to the Minister.

Through the continuing cycle of review, implementation, and impact assessment, the Financial Management System plays a major role in the financial planning of public education in British Columbia.

Budget and Accounting Systems

Each year, School Boards are required to identify sources of revenue and establish planned budgeted expenditures to match the revenues available.

The Block and School District Revenues

The block is the primary source of funding for school districts. In addition to the block, funds are identified for debt service payments. In 1990/91, these amounts accounted for 97.7% of total school district budgets.

In addition to the grants from the Province, school boards may draw on additional funds from local revenue sources, operating surpluses, and through referenda. These local revenue sources include the rental of buildings, investment income, federal French grants and continuing education fees. Boards may retain surpluses from the previous year. Referendums may be held to raise additional funds for specific projects identified in the referendum. The funds must all be raised in the year in which the referendum is held, and budgeted as revenue in the following school year.

For the 1990/91 school year, the sources of revenue were as follows:

Unallocated Block	$2,617,921,213	89.83%
Accreditation	2,649,100	0.09%
Annual Capital Allowance	23,534,150	0.81%
Debt Service	201,856,216	6.93%
Referendum	9,336,571	0.32%
Local Revenue	39,906,412	1.37%
Operating Surplus	16,995,641	0.58%
Debt Service Surplus	2,170,825	0.07%
Total Budgeted Amount	2,914,370,128	100.00%

By February 1st, the Minister of Education announces the provincial average per student amount for the next school year. Approximately four weeks later the district per student amounts and the estimated block amounts are announced by the Ministry. Districts then review their revenue targets, and may hold a referendum to raise additional amounts. The decision to hold a referendum must be made at least two weeks prior to the date of the referendum. The referendum is held on the second Saturday of April. The budget bylaw is passed on or before April 20th.

Funding the Block

Commencing in the 1990/91 Provincial Fiscal Year, the Province assumed responsibility for the school tax component of residential property tax. Along with the school tax component of non-residential property tax, amounts were identified as revenue for the Province.

Of the total provincial revenue of $15,260 million budgeted for 1990/91 Provincial fiscal year for all provincial programs, 3.6% was estimated to be raised from non-residential property tax and 1.9% from residential property tax.

Taxes for residential and non-residential property are collected in the calendar year. This timeframe differs from both the school year and the provincial fiscal year. For example, the 1990/91 school year is composed of four months (September - December) of 1990, and six months (January - June) of the 1991 year.

Non-Residential Taxation

In the 1991 calendar year, non-residential taxes are estimated to total $563 million.

By class, the total amounts raised are as follows:

	Assessed Value	*Tax Rate*	*Taxes*
Utilities	$9,697,384,255	15.6	$51,279,194
Unmang. Forests	27,676,708	11.4	315,514
Major Industry	5,395,337,112	12.3	66,362,646
Light Industry	2,229,139,562	10.2	22,737,224
Business	30,768,838,148	10.2	313,842,149
Managed Forests	520,293,571	5.7	2,965,673
Rec/Non-Profit	498,811,017	5.1	2,543,936
Farm	663,584,546	6.7	4,446,016
Total			564,492,354

Of this amount, 0.25% (approximately $1.5 million) was levied as collection fees by municipalities and the Surveyor of Taxes.

Residential Taxation:

In the 1991 calendar year, residential taxes are estimated to total $331 million. This amount is determined by reducing the amount of gross property tax for school purposes $770 million by the estimated Home Owner Grant of $418 million. For residential properties, tax rates varied between school districts.

On March 5th 1991, the Province announced a new school tax framework to be phased in over three years. The basic elements of this tax framework are as follows:

1. The Ministry of Finance and Corporate Relations determines the amount of money to be raised from residential taxation to support the public education system.
2. Half of the total provincial amount to be raised is divided by the number of residences in the province to determine a rate per residence.
3. Half of the total provincial amount to be raised is divided by the total assessed value of residential property in the province to determine a rate on assessed value.
4. The total school property tax requisition for each school district is equal to the rate per residence times the number of residences in the district plus the rate on assessed value times the total residential assessed value within the school district.
5. A tax rate for each district is determined by taking the total school property tax requisition and dividing by the total residential assessed value within the school district.
6. In 1991 & 1992, this rate is blended with a rate that generates funds equivalent to 1990 total taxes for each district.

Homeowners who reside in their home are eligible for a base homeowner grant of $430 ($700 for seniors).

In addition for 1991, a supplementary homeowner grant was provided where the base homeowner grant does not cover all school taxes. The supplementary homeowner grant was one half of the difference between the school tax and the base homeowner grant.

III. TRANSPORTATION

Funding for transportation is included in the block of funds (see section 2 and the description of the fiscal framework). Funds are recognized for transportation based on actual audited costs per kilometer, and on the number of approved bus kilometers. Funding is generated by multiplying the approved bus kilometers by the audited cost per kilometer.

Additional funds are identified for Water Transportation and Transportation Assistance, as well as Special Program Transport (for extra-curricular transportation for special needs students), and Student Housing.

There are currently no provincially established walk limits. Each district may set walk limits to meet the local requirements in the community.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Approval and Funding Process

Capital projects must meet with the approval of Treasury Board before receiving funding. School districts are required to submit annually their capital project applications ranked in order of priority together with a five year capital plan. The School Facilities Branch then rank the projects on a provincial basis and approve the highest priority projects within the available funding.

For administration purposes capital projects are segregated between minor projects (up to $1,500,000) and major projects (over $1,500,000). Day to day funding is financed by the Province and controlled through lines of credit with the chartered banks, and in one case a credit union. A separate line of credit is established for each major project and each minor project that increases space; all other minor projects in each school district is covered by one line of credit. The lines of credit are repaid by debenture borrowings from the B.C. School District Financing Authority. All debentures are secured by sinking funds. The principal and interest charges on the sinking funds and the interest on the lines of credit form the debt service expenditures which were some $201.9 million in 1990/91. Debentures are sold for periods of 10 years, for short term assets such as equipment, busses, etc. and 20 year terms for long term assets. Grant payments equal to one twelfth of the school district annual budgeted debt service expenditure are paid monthly to the school districts.

School District Capital Funding

The Government of British Columbia has expanded the capital expenditures over the past five years as follows:

1988/89	$142 million
1989/90	250 million
1990/91	350 million
1991/92	650 million

V. TEACHER RETIREMENT

Funding for the employer's portion of teacher pensions is included in the block of funds (see the description of the fiscal framework). School districts are now required to pay these funds directly to the Superannuation Branch for teacher pensions. Funds for teacher pensions are allocated to school districts using formulae identified in the fiscal framework. The employer's share is recognized on the basis of 8.7% of base salary for the first $28,900, and 10.2% for the remainder.

Total funds established for pensions were $140.0 million in 1989/90. This amount would have increased for 1990/91 as a result of increases in the economic adjustment and enrollments.

VI. SPECIAL EDUCATION

Funding for special education is included in the block of funds (see the description of the fiscal framework). School districts identify students with special needs each September. The school district receives additional funds for these students based on the service levels and cost factors identified in the fiscal framework. Funding identified in the fiscal framework includes the cost of providing classroom instruction, as well as the cost of additional classroom support required for those students.

In 1990/91, $254.7 million was identified for Special Program support.

VII. COMPENSATORY EDUCATION

None.

VIII. GIFTED AND TALENTED EDUCATION

Funding for gifted students is included in the block of funds (see the description of the fiscal framework). Funding identified in the fiscal framework includes the cost of providing classroom instruction, as well as the cost of additional classroom support required for those students. Funds for gifted are included with Special Program Support.

IX. BILINGUAL EDUCATION

Funding for language programs is included in the block of funds (see the description of the fiscal framework). A number of languages are identified in the fiscal framework for funding purposes. These include:

a. French as a Second Language
b. French Immersion
c. Programme Cadre
d. Mandarin
e. Japanese
f. English as a Second Language
g. Native Programs (which may include Native language studies)

Total funds identified in the block for these programs was $182.2 million.

In addition, funding is provided from the federal government. In 1990/91, funds from the federal government passed onto to school districts totaled $4.8 million.

X. OTHER CATEGORICAL PROGRAMS

Funding is also provided for specific school boards to provide specific regional services. These include:

a. Regional Correspondence Schools

Nine correspondence centres managed by specific school districts have been set up around the province. Each centre provides services to students resident in the area serviced by that centre. In 1990/91, these centres serviced 1,551 elementary students, and 32,295 courses for secondary students. Funds for these programs totaled $5.9 million in 1990/91.

b. Containment Centres and Regional Resource Programs for special needs students

Twenty school districts provide services to students with specific needs and/or who are in specific settings. Funds for these programs total $14.9 million.

c. Regional Sites for the distribution of equipment for handicapped students

Equipment is provided to handicapped children through regional centres. Funds for this program totaled $5.3 million in 1990/91.

d. Royal Commission implementation

In 1989, the report on the Royal Commission on Education was tabled with government. For 1990/91, $20.3 million was targeted to school districts to assist with the implementation of the recommendations coming out of the Royal Commission Report.

e. Home schooling

Parents may opt to educate their children at home. These children must be registered at either a public school, independent school or a correspondence centre. Funding for these children is provided to the school districts/ independent schools/ Correspondence Centres to allow them to assist parents with evaluation and assessment activities. This funding was based on 0.25 FTE per child.

XI. INDEPENDENT SCHOOLS

Funding for independent schools is available for qualifying schools. Funds are provided at a percentage of the block (50%, 35% or 10% depending on the classification of the school). Total funds budgeted for independent schools in 1990/91 was $82.6 million.

XII. PRE-KINDERGARTEN EDUCATION

None.

XIII. TAX AND SPENDING LIMITS

Taxes for school purposes are collected on behalf of school districts by the Province. In addition, school boards may raise additional amounts through taxation by local referendum.

Per Section 128 of the School Act, referendum procedures for 1990/91 are as follows:

1. The deadline for boards to authorize the holding of a referendum is two weeks prior to the date of the referendum. The authorization is by resolution passed at a public meeting of the board. Districts should immediately fax a copy of the resolution to the School Finance Branch.
2. Between this deadline and the date of the referendum, the referendum particulars must be published at least once a week in a newspaper (as defined in Section 29 of the Interpretation Act) of general circulation in the school district.
3. If a board passes a resolution to hold a referendum, the referendum shall be held on the second Saturday in April.
4. Money raised by the referendum may be used by the board to provide new programs, to enhance existing programs, for additional activities for students, and/or for local capital project initiatives in addition to those recognized by the Province. It shall not be used to fund previous operating deficits per Section 128(2) of the School Act.
5. If a majority of the persons who cast ballots vote in favour of raising the money that is the subject of a question on the referendum, expenditure estimates approved by that question shall form part of the board's budget for the school year.

6. The referendum approval is for one year only and the taxes levied to support the referendum will be raised in the immediate tax year.

XIV. NATURE OF PROPERTY TAX ASSESSMENTS

Property assessment is based on the market value of property. This value is updated bi-annually. Details of the determination of taxrates are included in Section II.

XV. EARMARKED PROVINCIAL REVENUE

Property taxes collected by the province are in part earmarked for education. See Section II.

MANITOBA

Schools' Finance Branch
Manitoba Education and Training

I. GENERAL BACKGROUND

- Total enrollment in elementary and secondary education in the Province of Manitoba (excluding schools operated by Indian Bands and the federal government but including independent (private) and home schooling) was 208,596.
- There are 53 school divisions including 6 remote districts which comprise the public school system. These divisions receive the majority of their funding from the Province.
- 96,558 pupils attended schools in the 53 school divisions and districts. 181,960 are considered "eligible" by the Province and therefore are counted for funding purposes. Non-eligible pupils include nursery, one-half of kindergarten, foreign, and Indian pupils resident on a reserve attending a provincial school.
- There are four special revenue districts with 1,028 pupils and 93 independent schools with 10,555 pupils. A limited amount of provincial funding is provided to the special revenue districts. Fifty-five of the 93 independent schools received a total of $17.5 million in government funding.
- There are 9 schools operated by the federal government, 36 schools operated by Indian Bands, and 455 home school pupils. There is no provincial funding for schools operated by the federal government or Indian bands. No support is provided for home school pupils.
- Funding for all divisions, districts, and schools is for the school year based on enrollment reported as of September 30, 1990.
- Effective January 1, 1990, the Province moved to a system of current market value assessment.

Provincial Support for the Public Sector

- Overall, school division operating expenditures of approximately $1.0 billion in 1990/91 were funded as follows: 70% provincial funding, 25% school division property taxation, 5% miscellaneous revenues.
- A portion of provincial funding is raised through a uniform levy on property by the Province and as result property taxes levied by the Province and the school divisions contribute approximately 45% to the funding of elementary and secondary education.
- Operating and capital funding for elementary and secondary education in Manitoba applicable to the 53 divisions and districts comprising the public school system is provided under the Government Support to Education Program (GSEP) implemented in 1985.
- The GSEP is established by the Provincial Government in the Public Schools Act and in related regulations, and is administered by the Public Schools Finance Board and the Schools' Finance Branch.
- In 1990-91, total provincial funding in support of the operating and capital expenditures of the 53 school divisions and districts totalled $740.0 million.

- Approximately $669.2 million was provided as direct operating support, $62.7 million as capital and debt servicing support, with $8.1 million allocated to Departmental administration and interest costs.
- Approximately two-thirds of provincial funding comes from the Consolidated Revenue Fund (principally income and retail sales tax). The other third is raised through a uniform provincial levy on residential and commercial property called the Education Support Levy (ESL). The commercial levy rate is twice the rate applied to residential assessment. As of January 1, 1990 the ESL was not applied on farm land and outbuildings.
- The Province provides tax credits for certain categories of taxpayers in respect of property taxes levied for education.
- The Province provides other support/revenue towards the operating cost of school divisions. This support/revenue includes grants for Shared Services, Non-Residents, Special Needs (multi-sensory), Institutional Programs, In-Service, as well as Evening School and English as a Second Language for Adults.
- Provincial funding is provided to school divisions in support of capital items including debenture principal and interest, school building support, school buses, vocational equipment replacement and establishment.

Local Support

- Revenues required to finance expenditures after accounting for total provincial and miscellaneous revenues in each school division are raised through a property tax levied by the school divisions called the Special Levy. Overall school divisions raise approximately 25% of the funding required which in 1990/91 amounted to about $250.0 million.
- School divisions receive other revenue from a variety of sources including the Government of Canada, Indian Bands and other School Divisions. Other revenue covers about 5% of school division expenditures.
- The powers and responsibilities of the school divisions is conferred by The Public Schools Act.

II. THE BASIC SUPPORT PROGRAM

The GSEP formula, outlined in the Public Schools Act and related regulations, has five main components: block support, categorical support, equalization support, guaranteed support, and capital support.

This section is concerned with the first four components as these comprise operating support.

Block Support

Block support is the lesser of a fixed amount per weighted pupil ($2,280) and a percentage of supportable expenditures (60%).

The eligible enrollment is increased by weightings related to:

- declining enrollment
- economies of scale
- northern allowance
- teachers' qualifications
- teachers' years of experience

Supportable expenditures are operating expenditures from the previous year net of school division miscellaneous revenues, adjusted for current year's enrollment.

Provincial Funding: $429.8 million
Divisions Receiving Funding: 53

Categorical Support

Categorical funding is intended to address division and student specific needs. Expenditures in excess of provincial funding is the financial responsibility of the school divisions/districts.

Categorical support is provided for a number of categories including those related to transportation, special needs, vocational education, small schools, bilingualism, heritage language, 'at risk' students, increasing enrollment, and curricular materials.

Provincial Funding: $112.9 million
Divisions Receiving Funding: 53

Equalization Support

The intent of equalization support is to provide additional funding to those divisions with low assessment per-pupil. Equalization support is based on an equalization factor which uses the highest divisional assessment per-pupil as its reference point.

The calculation is as follows: supportable expenditures for the school division less categorical and block support multiplied by the equalization factor

$$1 - \frac{\text{MAPP of the School Division}}{\$136{,}906}$$

where MAPP denotes market value assessment for 1990 divided by eligible enrollment for 1990/91, and where $136,906 is supposed to be the market value assessment per-pupil of the division with the highest MAPP in the Province for 1990/91.

Provincial Funding: $85.0 million
Divisions Receiving Funding: 50. Fifty rather than fifty-two school divisions received funding because two divisions had market value assessment per-pupil higher than $136,906. The highest and second highest MAPP were not used as references as they were the consequence of unusual circumstances and were therefore deemed inappropriate.

Guaranteed Support

The GSEP includes a formula for determining an amount of guaranteed funding to ensure that for each division/district current year block and equalization funding would not be less than previous year block, equalization and guaranteed funding.

Provincial Funding: $40.2 million
Divisions Receiving Funding: 45

Limitations on Funding

In 1990/91 total block and equalization support cannot exceed:

> 1989/90 block, equalization and guaranteed support per-pupil
> increased by 10% multiplied by the 1990/91 eligible enrollment.

Guaranteed support is limited to being the lesser of:

1. 1989/90 guaranteed support increased by 2%, and
2. 1989/90 guaranteed support per-pupil increased by 4.5% and multiplied by the 1990/91 eligible enrollment.

III.TRANSPORTATION

Transportation support includes:

A. 1. $410 for each eligible transported pupil,

2. $.85 per loaded kilometer for distances per bus route in excess of 80 loaded kilometers per day,

3. a grant of 3 cents per kilometer for the total number of kilometers driven by school buses in 1988, and

4. $150 per-pupil for pupils in Kindergarten to Grade III who live in a city, town or village and who live 1.6 kilometers or more from school.

But not to exceed allowable transportation expenditures.

An eligible transported pupil is defined briefly as a pupil who lives farther than 1.6 kilometers from school.

B. Board and room, up to $400 per month, for pupils attending schools in another school division, 80 or more kilometers from their home, for programs not offered in their own school division, but not exceeding the actual cost of board and room, transportation and sundry living expenses.

Provincial Funding: $28.3 million
Divisions Receiving Funding: 52

IV. CAPITAL OUTLAY AND DEBT SERVICE

Capital support provided by the Province consists of the following:

1. support for school construction
2. support for buses used for pupil transportation
3. support for vocational equipment
4. support for major capital projects in the main categories of building programs upgrading programs and renovations
5. support for minor capital items determined by a formula based on the age and square footage of active school buildings in a school division.

The Province also pays the interest costs associated with borrowing for capital purposes.

Debt Servicing — Principal: $18.3 million
Debt Servicing — Interest: $31.4 million

Buses: $5.0 million

Other Capital: $8.0 million

V. TEACHER RETIREMENT

In accordance with the Teachers' Pensions Act, the Province pays half the retirement benefits to be paid in the year.

VI. SPECIAL EDUCATION

Provincial support for special needs is provided to support the needs of pupils with either learning difficulties or exceptional abilities.

Provincial support is calculated as the total of (1), (2), (3) and (4) but may not exceed school division/district total expenditures for special needs.

1. Coordinator and Clinician support based on the number of eligible units determined by dividing the eligible enrollment by 900 or the number of qualified personnel employed, whichever is the lesser, multiplied by: $34,100 for one coordinator, and $31,000 for each clinician.

Provincial Funding: $6.3 million
Divisions Receiving Funding: 47

Note: Clinician services is provided directly to some rural divisions by the Department of Education and Training.

2. Level I support is based on:

(a) a calculation of eligible units determined by dividing school division enrollment by 10 if enrollment is greater than 1600 and successively smaller divisors as enrollment declines, and

(b) a grant per eligible pupils as determined by a schedule.

The grant is the number of eligible units or the number of qualified personnel employed, whichever is the lesser, multiplied by $23,000 plus the grant per-pupil multiplied by the eligible enrollment for the division.

Personnel employed as special, resource, occupational entrance teachers or as teachers of the gifted for 100% of their time are included. If so desired, three teacher aides may be employed instead of one qualified teacher.

Provincial Funding: $30.5 million
Divisions Receiving Funding: 53

3. Level II support is based on $7,100 for each pupil who is severely multi-handicapped, severely psychotic or autistic or profoundly deaf.

Provincial Funding: $9.2 million
Divisions Receiving Funding: 51

4. Level III support based is on $15,800 for each pupil who is profoundly multi-handicapped.

Provincial Funding: $3.9 million
Divisions Receiving Funding: 37

Although in (3) and (4), support is initially determined based on the number of pupils enrolled on September 30th, support is adjusted to ensure that additional pupils identified after that date receive funding.

VII. COMPENSATORY EDUCATION

Compensatory Education Grants were introduced in 1983 to provide support for additional program initiatives in the Province's neediest schools.

Compensatory support is provided for school divisions based on a program which addresses the effect of socio-economic factors on the total school program as well as measures of educational disadvantages and such other special considerations which indicate the need for compensatory programs.

Proposals submitted by school divisions are reviewed and funding is allocated based on the proposals. Actual support earned is the lesser of the approved support and the cost of the approved program. In most cases, school divisions apply for funding on the basis of school level eligibility and programs at a school level.

Programs are considered where the school's population is from families reflecting a significant percentage of:

- low income
- unemployment
- low educational level of parents
- mobility or migrancy
- single parents
- English or French as a second language

Provincial Funding: $2.9 million
Divisions Receiving Funding: 44

VIII. GIFTED AND TALENTED EDUCATION

Included as part of Special Education funding.

IX. BILINGUAL EDUCATION

Support is provided for a number of language training and assistance programs. Support for language programs is intended to be used to cover only the additional costs in the delivery of these programs.

French Language Instruction

A federal-provincial agreement on minority-language education enables the Province to recover approximately 50% of the grants for French Language instruction.

Support is provided in the following categories:

Francais	FTE pupils x $250
Immersion	FTE pupils x $250
Basic	FTE pupils x $100
Conversation	FTE pupils x $ 50

Provincial Funding: $7.1 million
Divisions Receiving Funding: 53

English as a Second Language

English as a Second Language (ESL) support was first introduced in 1981. ESL support is intended to address the needs of students with a limited proficiency in English.

ESL support is designed to enhance the language development programs already in place in schools. The support may be used to hire additional teaching or classroom support staff or purchase additional language support materials and equipment.

Support is calculated as the full-time-equivalent English as a Second Language enrollment on September 30, multiplied by $660, but may not exceed the expenditures for salaries, supplies and equipment in the English as a Second Language Program.

Provincial Funding: $2.3 million
Divisions Receiving Funding: 43

Language Development for Natives

The Language Development Support Program for Native students was introduced in 1984 to provide financial support for additional program initiatives for Native students who need English language development assistance.

Support is calculated as the total of:

1. the full time equivalent enrollment in the Language Development for Natives Program on September 30 to a maximum of 1.5% of eligible enrollment multiplied by $660, and

2. the full time equivalent enrollment in the Language Development for Natives Program on September 30 in excess of 1.5% of eligible enrollment multiplied by $390,

but may not exceed the expenditures for salaries, supplies and equipment in the Language Development Program for Natives.

"Native" refers to pupils of native ancestry but for whose education the Government of Canada or an Indian Band is not responsible.

Provincial Funding: $3.6 million
Divisions Receiving Funding: 33

Heritage Language

The teaching of heritage languages as a regular subject during the school day was begun in 1984.

Heritage languages are all languages other than English and French taught in Manitoba either during the school day, as part of the regular program of study or in supplementary (outside school hours) setting.

Provincial support is provided in the following categories:

Bilingual	FTE pupils x $250
Basic	FTE pupils x $100

To receive funding for bilingual heritage language programs, divisions must provide 50% of instruction time in the heritage language. To receive funding for basic heritage programs, divisions must teach the heritage language for at least 30 minutes a day, five days out of six days.

Provincial Funding: $0.3 million
Divisions Receiving Funding: 18

X. OTHER CATEGORICAL GRANTS

Vocational Education

Provincial support is calculated as follows:

the number of eligible units determined by dividing the full-time-equivalent enrollment in vocational programs by 15; or

the number of qualified personnel employed; whichever is less,

multiplied by $23,000.

Full-time-equivalent enrollment means one-half of total enrollment.

Provincial Funding: $4.8 million
Divisions Receiving Funding: 27

Curricular Materials

The allowance for curricular materials is $40 per eligible pupil, $30 of which must be expended through the Manitoba Textbook Bureau (owned and operated by the provincial Department of Education and Training).

Provincial Funding: $7.3 million
Divisions Receiving Funding: 53

Small Schools

The objective of this program is to provide a compensatory support program for small schools to enhance equal educational opportunities.

Provincial support is calculated as the lesser of the cost of small schools programming or the total of (1), (2), and (3), provided that the enrollment of those grades that qualify for support is greater than 15% of the school's total enrollment.

1. if pupils per elementary grade on September 30, 1989, are:

less than 15	$20 per elementary pupil
15 or more but less than 18	$10 per elementary pupil
18 or more but less than 21	$ 5 per elementary pupil

2. if pupils per secondary grade on September 30, 1989, are:

less than 50	$70 per secondary pupil
50 or more but less than 53	$35 per secondary pupil
53 or more but less than 56	$17.50 per secondary pupil.

3. if the school qualifies for support under (1) or (2) or if the school contains only special education pupils and has an enrollment of less than 100 pupils, an amount of $3,000.

Provincial Funding: $1.8 million
Divisions Receiving Funding: 49

Inner City

Provincial support through this program is provided to school divisions for elementary schools located in a city that have large numbers of pupils from families with low incomes, high mobility, lone parent or from families whose first language is neither English nor French.

The support is based on the percentage that the number of pupils in each group is of the eligible enrollment of the inner city school and the average of the four percentages obtained.

Provincial Funding: $2.2 million
Divisions Receiving Funding: 7

Early Identification

Early Identification support is funding to assist school divisions in providing appropriate educational programming to children with special needs upon their entrance into school.

This involves screening, confirmation of the child's special needs through diagnostic assessment, appropriate educational intervention and evaluation of the child's progress.

School divisions submit proposals and approvals are made on the basis of the proposals.

Provincial Funding: $0.3 million
Divisions Receiving Funding: 51

Increasing Enrollment

Provincial support for increasing enrollment is the total of:

10% of the increase in eligible enrollment from 1987 to 1988, and
30% of the increase in eligible enrollment from 1988 to 1989, and
60% of the increase in eligible enrollment for 1989 to 1990.

multiplied by $2,280 provided that the school division has had an increase in enrollment in each of the three years.

Provincial Funding: $1.7 million
Divisions Receiving Funding: 8

XI. PROVINCIAL AID FOR INDEPENDENT (PRIVATE) SCHOOLS

The Province provides partial funding for private schools if they meet certain financial reporting and accountability criteria. In 1990/91, the Province contributed a per-pupil operating grant based on 54.5% respectively of that provided to public schools. The percentage will increase annually to 80% by 1997/98.

An independent school is defined in the Education Administration Act of Manitoba as any school, other than a public school, which provides a curriculum and a standard of education equivalent to that provided by public schools.

In 1990/91, 55 independent schools received pupil support for approximately 8,569 eligible pupils for a total funding of approximately $15.8 million.

Financial support to independent schools is provided in several ways.

1. Direct Aid

   (a) An amount per-pupil equal to 54.5% of the public school categorical, block, equalization and guaranteed support less special needs and curricular support.

   This support is provided for independent schools that offer an education of a standard equivalent to that in public schools and that is taught by teachers with valid teaching certificates. One-half hour of religious instruction per day is allowed for support in independent schools.

   (b) Support for special needs is provided on the same basis as for schools in the public sector.

   (c) Curricular materials for independent schools is provided at $40 per-pupil through the Manitoba Textbook Bureau.

2. Shared Services

   School divisions and independent schools may enter into agreements for the sharing of services.

3. Transportation Support
   Since the fall Term of 1971, school divisions have entered into agreements that provide for transportation of independent school pupils on division-owned buses. The independent school pupils are transported only

on regular division bus routes. Claims by the school division for support for these pupils are subject to the regulations governing transportation support for public school pupils.

No capital support is provided to independent schools.

XII. PREKINDERGARTEN EDUCATION

No direct or specific provincial support is provided in support of pre-kindergarten education.

XIII. PROVINCIALLY IMPOSED LIMITS ON SPENDING OR TAXES BY SCHOOL DIVISIONS/DISTRICTS

There are no provincially imposed limits on spending or taxes by the school divisions.

XIV. NATURE OF THE PROPERTY TAX ASSESSMENT SYSTEM

On January 1, 1990, with the passage of the Municipal Assessment Act, the Province of Manitoba moved to system of current market value assessment.

All property assessments were updated to 1985 levels of value. However, because market factors over time affected different classes of property in varying degrees, the shift in relationship of property values from class to class was significant. Reassessment is scheduled for 1994 at which time property values will be assessed at 1990 current market value.

In order to prevent corresponding shifting in taxes between classes, the Province enacted legislation that established nine property classes and required the calculation of taxes on a portion of assessment in each property class (portioned assessment).

Portioned assessment, therefore, refers to that percentage of assessment in each property class that would be subject to tax. For example, Residential 1 property (homes) assessment was portioned at 48.6%.

X. EARMARKED PROVINCIAL REVENUE

A uniform provincial levy on residential and commercial property called the Education Support Levy (ESL) is earmarked for education.

NEW BRUNSWICK

Earl Wood
Deputy Minister of Education
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I. GENERAL BACKGROUND

Province Support

- The province provided virtually 100% of all school expenditures for its anglophone and francophone public school boards.
- Education expenditures for public schools for Government fiscal year 1990/91 (preliminary) were $563.9 million, excluding capital account and loans and advances items. Debt changes do not appear as a part of this budget.
- Salaries, wages and benefits were 87% of all school board expenditures.
- Federal transfer payment for 1990-91 formed 39.3% of provincial revenue. Other major sources of revenue were income taxes 18.2%, property taxes 9.6%, and sales taxes, 17.1%.
- Collective bargaining for salaries occurs at the provincial level between the New Brunswick Teachers' Federation and the Provincial Board of Management. The Department of Education and School Boards also participate in these negotiations. Working conditions are included in the agreement.
- Public school system is organized to separately serve the two official language communities. There were 15 Francophone and 27 Anglophone school boards. The Department of Education is also organized with parallel structures for the two linguistic sectors. A recent Commission report recommending consolidation into fewer school boards, retaining the two linguistic sectors, has been implemented.

Local Support

- School boards may levy a local property tax in all or part of their jurisdiction to provide a supplementary program which is defined as (1) a course or program which has not been prescribed by the Ministry of Education and (2) the employment of any teacher at the established salary scale beyond the regular budget provided by the province. In 1990, only two such levies were in effect, both for music programs. One of these is an on-going program approved in 1977. The total value of these two programs is less than $100,000.
- User fees are charged for driver education, cafeteria services, extra-curricular trips and rental of school facilities. These revenues are also relatively insignificant in the context of the overall public schools budget.

II. THE BASIC SUPPORT PROGRAM

Professional Salaries

School boards receive funding for professional staff based on staffing standards, which in turn are applied to school programs and organization.

For 1990-91 these standards were:

Per Class Allocations	
Grades 1-9	1.1 to 1.2 FTE's per class
Grades 10-12	Based on previous allocation adjusted for enrollment changes.
Other allocations	
School administration; psychology; psychometry	1:350 Grades 1-12 pupils
Elementary guidance	1:1500 Grades 1-12 pupils
Secondary guidance	1:500 Grades 7-12 pupils
Special education	Based on need, equity of service and available services.
Combined classes	When permitted under teachers' collective agreement.
Libraries	1:2400 Grades 1-12 pupils
District staff	1:700 Grades 1-12 pupils.

Over 80% of professional salary funds were distributed by per class allocations. A class planning exercise preceded the application of funding standards. All standards were subject to budget availability.

III. TRANSPORTATION

Physical plants; pupil transportation, physical plant and other items were funded on a basis of historical costs and required service levels.

IV. CAPITAL OUTLAY AND DEBT SERVICE

1. Capital projects (new schools; renovations; additions; major repairs; capital equipment) are funded 100% by the Province. The program is managed centrally. In 1990-91, the capital budget for public schools was $41.3 million. A further $6.2 million was budgeted for school bus purchases for 1990-91 through a loans and advances account.
2. Debt: Provincial financial statistics are not directly comparable as debt charges for public school education are not separately identified. Virtually all public school expenditures are made from the Province's Consolidated Revenue Fund.

NEWFOUNDLAND AND LABRADOR

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I. GENERAL BACKGROUND[1]

- There are 27 school board in Newfoundland and Labrador, of which 16 are Integrated Protestant, 9 are Roman Catholic, 1 Pentecostal, and 1 Seventh Day Adventist.
- Three Denominational Education Councils (Integrated, Roman Catholic, and Pentecostal) are responsible for the allocation of building grants, the development or religious programs, and initial certification of teachers. They also appoint one-third of the members of school boards, the others being elected locally.
- Teachers' salaries are negotiated on a provincial basis; teachers' salaries are paid directly by the provincial treasurer.
- In 1990-91, the provincial government provided 94% of the revenue for primary, elementary and secondary education; 6% was raised locally through poll and property taxes. In December, 1991, the local taxes were abolished and the province assumed complete responsibility for funding education.
- Total school board revenue in 1990-91, including teachers' salaries, was $542.6 million; enrollment totaled 127,029, for an average of $4,272 per pupil. Revenues included local taxation, $30.1 million; provincial payment of teacher salaries, $416.6 million; grants for transportation, $28.1 million; other grants, $55.1 million; donations, $2.6 million; ancillary services, $1.5 million; miscellaneous, $7.0 million; and transfer from capital, $1.5 million.
- Total school board expenditures for 1990-91 were $543.9 million, or $4,282 per pupil. Expenditures included $19.4 for administration (3.6%); $434.8 million for instruction (80.0%); $49.3 million for operations and maintenance (9.1%); $30.5 million for pupil transportation (5.6%); $1.0 million for ancillary services (0.2%); $4.5 million for interest expense, 0.8%); and $4.4 million for transfer to capital (0.8%).
- With full provincial funding for 1992/93, expected expenditures will total $551.4 million, approximately $12.0 million more than the total of provincial and local funds expended in 1991/92.
- A Royal Commission's recommendations to dissolve the Denominational Education Councils and reduce the number of school boards to nine, whose trustees would all be elected, are being considered by government. The Commission estimated that operation of the current denominational system, rather than a "rational non-denominational" system, costs the province an extra $21 million per year, or 4% of overall annual expenditures.[2]

II. THE BASIC SUPPORT PROGRAM

Funding in 1990-91: $461.5 million (90.0% of all provincial funds)

Nature of Program: Direct payment by the provincial government of teachers in school boards plus a flat grant and an equalization grant.

Units: Teachers and students. For teaching personnel, an approved number of teachers (referred to as Teacher Salary Units) is allocated to each school board; school boards then employ the teachers. The total cost of teachers' salaries in 1990-91 was $416.6 million (81.2% of all provincial funds). Additional teachers were paid for out of board funds. For operating costs, a flat grant of $275 per pupil ($34.9 million or 6.8%) and an equalization grant for boards with low tax potential ($10.0 million or 2.2%) were provided.

Local Fiscal Capacity: A board's fiscal capacity is recognized only for the allocation of equalization grants.

How Formula Operates: Teacher Salary Units are allocated to individual school boards on the basis of need. One teacher is allocated for every 23 pupils, with additional teaching units being allocated for students in small schools, for native and French-language students, and for special services such as guidance, library resources, and special education. Actual salaries, including the cost of fringe benefits, are paid by the provincial treasurer, so differences in salaries due to experience and education do not affect a school district's fiscal position. Note: The collective agreement with the Newfoundland Teachers' Association restricts the number of teacher layoffs (usually caused by declining enrolment) to 2% per year. In 1989-90, approximately 205 teachers in excess of allowable allocations were being retained, at a cost of approximately $9.0 million per year.

Flat grants are allocated on a per pupil basis. Equalization grants were related to local fiscal capacity and ranged from $0.0 (one school board) to $141 per pupil, averaging $99 per pupil. Note: With the abolition of local taxes for education, the "equalization grant" will be increased to $45.0 million for 1992-93.

Provincial and Local Shares: 94% and 6% respectively.

Adjustments for Special Factors: Extra Teacher Salary Units are allocated for small school, remote locations, for native and French-language students, and for special services.

III. TRANSPORTATION

Funding in 1990-91: $28.1 million (5.5% of total provincial funds).

Description: The province pays 90% of the cost of pupil transportation if the service is not operated by the school board, and 100% where the service is board operated. In addition, a grant is payable to school boards with higher than average per pupil transportation costs; this grant equals the amount of the excess over the average. Total expenditures on pupil transportation were $30.5 million for 1990-91, so the province covered 92% of the overall cost of transportation.

IV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1990-91: $27.0 million (5.3% of total provincial funds).

Allocation of Funds: Handicapped Accessibility Projects, $1.0 million; debt retirement, $2.5 million; new construction, $22.0 million; and life safety, $1.5 million. Funds for new construction are allocated to Denominational Education Councils on a per pupil basis; the Councils set their own priorities and allocate funds accordingly.

V. TEACHER RETIREMENT

Funding for 1990-91: Not available.

Description: Pensions for teachers are the responsibility of the province.

VI. SPECIAL EDUCATION

Funding in 1990-91: Total funds not available.

Description: For staffing purposes, extra Teacher Salary Units are allocated to school boards for special education; for operation, $0.5 million is allocated to assist in the education of special education and trainable mentally handicapped students. A number of specific grants are also made: a per pupil grant of $150 for pupils who, in the opinion of the Minister, cannot benefit from normal classroom instruction; $10 per pupil for each pupil enrolled in a special class under paragraph a (1) of Section 12 of *The School Act* to be used for the purchase of library materials for use in such special classes; and reimbursement of the cost of instructional materials purchased for special education classes up to $15 per pupil (supporting documentation required). As well, a $2.5 million Teacher Aide Program is available to assist with integration of the disabled into the regular school system.

VII. COMPENSATORY EDUCATION

Newfoundland and Labrador has no provincially funded compensatory education program. It has signed the Federal/Provincial Native Peoples Agreement which provides special funding for communities with large proportions of indigenous peoples.

VIII. GIFTED AND TALENTED EDUCATION

Newfoundland and Labrador has no provincially funded gifted and talented education program.

IX: BILINGUAL EDUCATION

Funding for 1990-91: No distinct provincial funding mechanism.

Description: At present, there are about 300 francophone children of school age in the province; they are served by one French-language school and three schools where anglophone and francophone students share the facility. The Department of Education has established a Ministerial Advisory Committee to recommend an appropriate French-first-language governance model, that would reflect francophone rights under the *Charter of Rights and Freedoms* adopted with the 1982 patriation of the *Canadian Constitution.*

The majority of native people in the province reside on the coast of Labrador (the Inuit, with about 520 children in school, and the Innu, with 440 students) or the south coast of Newfoundland (a Micmac community). The latter has formed its own school board; the former have not. Financial assistance is provided under the Federal/Provincial Native Peoples Agreement.

X. OTHER CATEGORICAL PROGRAMS

Funding for 1990-91: Total not available.

Description: A number of categorical grant are allocated to assist in achieving equity by recognizing special situtations that may increases the cost of education. They include the following:

Library materials: $8 per pupil

Specialist teacher: $1,000 per specialist teacher employed.

School board elections: 90% of the cost of elections.

Utilities grant: 75% of the excess cost where the cost of light and heat calculated on a square foot basis for the school year exceeds the average cost for all school boards.

Remote location[1]: 5% of the per pupil grant ($275 in 1990-91) for schools operating in Labrador that are not in communities designated under the Federal/Provincial Native Peoples Agreement.

Remote location[2]**:** $50 per pupil for each pupil enrolled in a school operating on the coast of Labrador excluding those in communities designated under the Federal/Provincial Native Peoples Agreement.

Declining enrolment adjustment: $1.3 million allocated according to a formula based upon a board's share of enrolment decline as measured by the difference between current enrolment and the average enrolment over the preceding three years. Enrolment in the province peaked in 1971-72 at 162,818; by 1995 it is projected to decline below 115,000.

Energy conservation grant: A grant equivalent to one-half of the monies expended on energy conservation measures up to a maximum of $1 per pupil.

Pre-vocational programs in community colleges: 100% funded by the province.

Insurance on schools and school board property: 100% provincial grant.

Textbooks: 100% for those prescribed for Grades K to 8, and 50% for those prescribed for grades 9 to 12.

Denominational Education Councils: 100% provincial grant.

Boarding students: A bursary of $2,350 per year for each student living away from home to attend high school.

Distance education: Extension of funding of pilot project from 20 to 30 schools.

Computers: $1.7 million in computers and software for schools.

Guidance: $1.6 million for computers and software to install CHOICES (a computer-based career counselling system) in 260 schools.

Scholarships: $200,000.

XI. AID FOR PRIVATE SCHOOLS

No provincial aid is given to private schools, although it is worth noting that the current denominational structure of the education system provides some of the benefits associated with private schools; e.g., a religious education of one's choice.

XII. PREKINDERGARTEN EDUCATION

No provincial aid is provided pre-school programs under the mandate of the Department of Education. Head Start, Even Start, Smart Start and subsidized day care operate in province.

XIII. LOCAL SCHOOL REVENUE

Funding for 1990-91: $33.5 million (6.2% of total revenue).

Description: School Taxation Authorities raised $26.5 million in current revenue by levying poll and property taxes. In addition, $4.8 million in overdue poll taxes, $1.5 million in overdue property taxes, $0.3 milion in grants-in-lieu, and $0.4 million interest were collected. Taxation Authorities allocated these funds to denominational school boards in their jurisdiction on a per pupil basis. Costs of collection of taxes averaged 13% of revenue, although in some Authorities it ranged as high as 33%.

The province abolished local taxation for education in December 1991. Local taxes had always been controversial since their introduction in the early 1950s, in part due to the high costs of collection, the high level of arrears, and the variation in wealth among communities. To make up the revenue lost, the province increased personal income tax rates in order to fund larger grants to school boards. No school board lost revenue in the process.

XIV. TAX AND SPENDING LIMITS

In 1990-91, School Taxation Authorities were free to set their own tax rates. These Authorities have since been abolished, so school boards no longer have local taxing power. Schools do raise funds privately and receive indirect support from their affiliated churches.

XV. EARMARKED PROVINCIAL REVENUE

No provincially raised revenue is specifically earmarked for education.

References:

1 Department of Education, "Financing Primary, Elementary and Secondary Education: A Comparative Analysis," Government of Newfoundland and Labrador; June, 1992.

The author would like to thank The Hon. Philip J. Warren, Minister of Education, and Mr. Sam McGrath, of the Newfoundland and Labrador Department of Education, for providing materials on which this report is based. The author retains full responsibility for the accuracy of and the interpretations provided in the report.

2 The Royal Commission of Inquiry into the Delivery of Programs and Services in Primary, Elementary, Secondary Education, *Our Children, Our Future,* Government of Newfoundland and Labrador; March, 1992.

NOVA SCOTIA

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I. GENERAL BACKGROUND

- In 1990-91, the Province of Nova Scotia was divided into 21 district school boards. Each district has a board comprised of one-third elected members, one-third appointed by the municipal governments within the jurisdictions served by the board and one-third appointed by the provincial government. The boards will be fully elected commencing in 1991.
- The areas served by district school boards are generally based on municipal boundaries. The formation of the present district school boards took place in 1981 by agreements between the particular municipal units and the provincial government. *The Education Act and Regulations* govern the provision of public education in the Province.
- District school boards provide public education from grades primary through to 12. Students must be 5 years of age before October 31 and have not reached the age of 21 (unless they are a continuous student) for the district school board to receive financial support from the Province for these students.
- Enrollment in the Province as of September 30, 1991 was 165,700. The district school boards housed these students in 500 schools and employed 10,417 full-time equivalent teachers.
- District school boards are dependent on the provincial and municipal governments for financial support. School boards do not have taxing authority and can only generate revenue through interest income, registration fees, and other fund-raising efforts.
- In the district school boards' 1990 fiscal year, which is also the calendar year, the Province contributed to district school boards, through a provincial general fund appropriation, $606 million or 80% of the total operating and capital revenues of district school boards. Of this amount $511.6 million or 84.4% are global funds. The district school boards have the authority to allocate these grants according to their own priorities, providing there is compliance with The Education Act and Regulations. The amount of $48.5 million or 8% is specific purpose grants and must be spent for the purpose for which they are granted or will be recovered by the Province. The remaining amount of $45.9 million or 7.6% is for capital debt service.
- Municipal units contributed $128.4 million or 16.7% to the district school boards in 1990-91. Of this amount, $100 million or 78% is a mandatory education tax that must be paid by the municipal councils to their district school boards. This amount is determined by a rate set by the provincial government on uniform property assessment throughout the Province. The property assessment function is administered by the provincial government. The remaining amount of $28.3 million or 22% is an optional municipal contribution.
- Many school boards solicit their supporting municipal governments for funding beyond the mandatory education tax; however, there is no obligation to provide additional funding.
- In addition, legislation enables local school trustees to levy an area rate on a particular block of uniform assessment to raise additional municipal revenues for a specific school; however, this funding source is rarely used.

- School boards generated a final $27.8 million or 3.3% through interest income, registration fees, federal government program funding and the use of reserves or accumulated surpluses.
- Historically, the ratio of provincial/municipal funding has stayed at approximately 82% - 18%.
- The cost of major school construction/renovation is borne entirely by the Province. The Province maintains complete control over the selection design and construction of all school buildings in the Province. In addition, the Province, through a general fund appropriation, contributes 50% of the premiums for teachers pensions directly to the Teachers' Pension Fund. The teachers contribute the other 50% through payroll deduction by district school boards.
- The funding arrangements currently in effect began in 1981. There have been minor modifications to the formula since that time; however, the basic principles have remained unchanged.
- There are no court challenges pending on the existing funding arrangements in Nova Scotia.

II. THE BASIC SUPPORT PROGRAM

The school year in Nova Scotia is from August 1 to July 31. However, the fiscal year of the district school boards is the calendar year and the fiscal year of the Province is from April 1 to March 31.

The following program support descriptions are for the 1990 district school board fiscal year. In 1991, legislation was enacted to change the district school board fiscal year to coincide with the Province's fiscal year.

(a) **Grants From Municipalities.** A school board's grant from the municipalities it serves is determined by the total uniform assessment in those municipalities and an "education tax rate" established each year by the province. In 1990, this rate is 40 cents per $100 of uniform assessment. Municipalities can, and many do, contribute amounts in excess of the total raised by the education tax rate.

(b) **Provincial Grants.** The following definitions are used in understanding the provincial funding formulas.
The funding enrollment for a school board in 1990 will be either the September 30, 1989 enrollment or the average of the enrollments on September 30 in 1988 and 1987. The alternative chosen is the one that gives the school board the greater funding when the formulas below are applied.

The grant calculations are based on the number of weighted-student units, which takes into account both the size of the enrollment and the differences in the costs of various programs. To accomplish this, the count used in the funding enrollment is weighted as follows:

Grades P-6	1.0
Grades 7-12	1.2
Vocational	2.5
One-year business education	1.75
Intermediate Industrial	1.75

As an example, 1,000 grade 7-12 students counted in the funding enrollment would give the school board 1,000 x 1.2 = 1,200 weighted-student units.

Global Grants

1. The largest grant is the general formula grant and it is directed towards the cost of administration and student instruction. It is calculated in three stages:

   (a) The number of weighted-student units is multiplied by $2,435 and by two factors which increase funding to compensate for extra expenses incurred by boards that have high salary costs and/or operate Acadian schools for students for whom French is their first language.

(b) The result of (a) is subtracted the amount the supporting municipalities raise at the tax rate of 40 cents per $100 of uniform assessment.

(c) $400,000 is added for every district school board. This amount is intended to assist in district school board management expenses.

2. The **student transportation grant** is directed towards the cost of operating and maintaining student conveyance systems and has two components:

   (a) The total, as determined by the Department of Education, of net projected student transportation operating expenses of the school board, subject to the condition that the 1990 grant will not exceed 108% of the 1988 actual net operating costs: plus

   (b) $3,560 for each approved school bus operated by the school board. This is intended as a capital bus replacement grant.

3. The **property service grant** is directed towards the cost of operating and maintaining school facilities and has two components:

   (a) $160 multiplied by the number of weighted-student units; plus

   (b) $1.93 multiplied by the number of gross square feet as determined by the Province in approved buildings used by the board to provide school programs.

4. A **provincial supplementary grant** is determined as follows:

   (a) The requirement of the school board for supplementary funding in excess of other funding provided to the board is determined by the Province. The calculation indicates both a provincial and municipal maximum contribution.

   (b) A provincial share of this funding is calculated. This share ranges from 10% to 90% depending upon the tax base of the municipal units supporting the school board.

   (c) The provincial supplementary grant will be equal to the provincial share calculated in (b) if the municipal units contribute their full share of the maximum supplementary grant. If they reduce their share, the provincial grant will be reduced proportionately. This cost-shared supplementary grant was discontinued in 1991-92.

Specific Purpose Grants

1. The **special education grant** is provided to assist in the costs of providing programs and services to learning disabled students. It is calculated as the lesser of the actual cost of approved special education programs or $195 multiplied by the total funding enrollment (not just the special education enrollment) and by the salary-weighting factor for the school board. This grant is also governed by the provision that the board will not receive less than 70% of its projected, approved special education expenditures.

2. The **adult education grant** provides funding for the cost of approved adult education courses and programs offered by district school boards. It is calculated as the lesser of the actual cost of approved adult education programs or $4.05 multiplied by the number of adults 21 years of age and over living in the areas served by the school board. There is an additional provision that the board's 1990 eligible grant shall be no less than its 1989 maximum eligible grant, and no more than 105% of that grant.

3. The **summer school grant*** provides funding for approved summer school programs offered by district school boards. It is calculated as the lesser of the actual cost of approved summer school programs or $14.65 multiplied by the number of grade 7-12, intermediate industrial, one-year business education and vocational students in the board's funding enrollment.

4. **The driver education grant*** provides funding for approved driver education programs offered by district school boards. It is calculated as the lesser of the actual cost of approved driver education programs or $16.40 multiplied by the grade 10-12, intermediate industrial, one-year business education, and vocational components of the school board's funding enrollment. Any board that charges students a driver education fee exceeding $75 will have its grant reduced by the amount of the excess charge.

5. **The board of students grant*** provides funding to assist district school boards with the costs of boarding students attending schools in areas located at great distances from their normal residence. It is calculated as the lesser of actual costs incurred by the school board in boarding students or $47.25 per week multiplied by the number of students boarded.

* For 1990, school boards were permitted to treat these grants as global grants.

Capital Equipment, Repair and Renovation Grant

A **capital equipment, repair and renovation grant** provides funding to assist district school boards with the costs of acquiring equipment and normal repairs and maintenance. In 1990, it is calculated as $11.55 multiplied by the total number of weighted-student units used in calculating this grant for the board in 1989.

Textbook Credit Allocation

A **textbook credit allocation** of $36.40 per student is provided for the school board to obtain textbooks at the Nova Scotia School Book Bureau. The enrollment used to calculate the total allocation for 1990 is initially that of September 30, 1989, but the 1990 allocation will be increased to correspond to the September 30, 1990 enrollment if that figure proves to be higher than the 1989 figure. (There is no reduction if the 1990 enrollment is lower.) The allocation is used to obtain texts and other learning materials from the Nova Scotia School Book Bureau.

Other Grants

The Province pays the entire cost of approved, major capital construction projects. The Province also pays grants to cover the approved debt service costs on school buildings that were constructed before revised funding arrangements were implemented in 1981. In addition, capital grants are provided by the Province for emergency purposes approved by the Minister, and additional amounts are provided to assist school boards in their asbestos removal programs.

Grants for French special projects and minority language funding are provided by the Secretary of State, Canada and the Province, and are administered by the Department of Education.

III. TRANSPORTATION

Provincial funding is provided to district school boards to assist in the costs of providing transportation services to eligible school pupils. Minimum eligibility guidelines are established by the Province but school districts may, and many have, expanded these minimum guidelines to provide service to additional students.

Provincial Share: The Province uses a formula to determine the approved funding provided annually to each district school board offering student conveyance services.

Local Share: Any transportation costs not covered by provincial funding come from municipal contributions or other revenues generated by the district school boards.

IV. CAPITAL OUTLAY AND DEBT SERVICE

In accordance with *The Education Act*, the Province is responsible for constructing and financing all major school construction; however, district school boards participate in the process and eventually receive title to the land and buildings.

In 1990, total principal and interest payments by the Province on outstanding debt amounted to $45.9 million.

In addition, the Province provides grants for emergency capital projects (to the extent of the annual budget appropriation) as approved by the Minister of Education and additional amounts, as approved, to assist district school boards in their asbestos removal programs.

V. TEACHER RETIREMENT

The Province makes contributions as the employer, to the Teachers' Pension Fund, through a general budgetary appropriation. The Teachers' Pension Plan is a defined benefit pension plan. Teachers contribute 7.5% of gross pay to the plan via payroll deductions with their employing district school board. The Province makes matching contributions. There is no local contribution to the Teachers' Pension Fund.

The Fund is administered by the Teachers' Pension Commission whose members represent the government and the Nova Scotia Teachers Union. Fund investments are managed by the provincial Department of Finance.

VI. SPECIAL EDUCATION

See Section II — Basic Support Programs

VII. COMPENSATORY EDUCATION

See Section II — Basic Support Programs

VIII. GIFTED AND TALENTED EDUCATION

See Section II — Basic Support Programs

XI. PROVINCIAL AID FOR PRIVATE SCHOOLS

There are no provincial aid programs for private schools in Nova Scotia except for the textbook credit allocation described in section 2. This credit allocation is available if the private school is using provincially-approved textbooks in its curriculum.

XII. PREKINDERGARTEN EDUCATION

Children under the age of five years as at October 31 are not eligible for provincial funding for the following fiscal year. Some district school boards have introduced programs for pre-school age children (i.e., Head Start) which are financed from local or board-generated revenues.

XIII. PROVINCIALLY IMPOSED LIMITS

School boards are dependent upon the local municipality for funds raised beyond the mandatory education tax. A Select Committee of the Legislature is reviewing the option of providing school boards with the right to set their own levy.

XIV. NATURE OF THE PROPERTY TAX ASSESSMENT SYSTEM

The property tax assessment system is administered by the Province. Uniform criteria is applied throughout the Province on property assessments which are performed every three years. Both commercial and residential assessments are taxable at the same mandatory rate for education purposes.

XV. EARMARKED PROVINCIAL REVENUE

No provincial revenue is earmarked for education.

ONTARIO

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I. GENERAL BACKGROUND

- In 1990-91, there were 170 school boards operating elementary and/or secondary schools in Ontario. Roman Catholics in Ontario have constitutionally protected rights to a publicly funded system of elementary and secondary education. Of the 170 boards, 58 were Roman Catholic separate boards, 1 was a Protestant separate board, and 111 were public boards.

- Ontario has a large francophone population, and persons defined as "French-speaking" under Section 23 of the Canadian Charter of Rights and Freedoms are entitled to have their children receive elementary and secondary education in the French language. School boards in Ontario, therefore, are required to have minority-language sections where numbers warrant. Minority-language sections are usually French, but in some cases, where the population is predominately French, the minority-language section is English.

- Special legislation has also established the Conseil scolaire de langue francaise d'Ottawa-Carleton (the Ottawa-Carleton French-language School Board), which has a public sector and a Catholic sector (counted separately in the 170 "boards" noted above), and the Conseil des ecoles francaises de la communaute urbaine de Toronto (the Metropolitan Toronto French-language School Council).

- In 1990-91, there were 1,363,189 students enrolled in 3,510 public schools, with 78,677 teachers; and 577,976 students enrolled in 1,574 Roman Catholic separate schools, with 30,915 teachers; for a total of 1,941,165 students enrolled in 5,084 schools, with 109,592 teachers. Approximately five percent of all students in Ontario receive their education in the French language.

- Publicly funded elementary and secondary education includes Junior Kindergarten through Grade 12 and/or the Ontario Academic Courses (OAC). Private schools in Ontario do not receive public funds.

- With the exception of a small number of boards (those that operate schools on armed forces bases, in hospitals and treatment centres, and in very remote areas of the province), all school boards receive funding from the Province according to the same basic grant formula.

- School boards determine their own budgets and their own levels of expenditure, but all rely on government grants for some part of their revenue.

Note: In Ontario, the fiscal year of school boards is the calendar year. Amounts shown in this paper are for the 1990 calendar year. In 1990, the Province provided 45.3 percent of total school board expenditure. This percentage compares with 46.2 percent in 1986 and 55.9 percent in 1980.

- Local revenue comes from the local property tax base, which is shared with municipalities. Municipalities collect education taxes on behalf of school boards. Provincial revenue comes from the Consolidated Revenue Fund (CRF), which includes personal and corporate income taxes, retail sales tax, gasoline and liquor taxes, etc.

- The present funding model came into effect in 1968, and is based on two principles: equality of educational opportunity for all pupils in Ontario and equality of tax burden on local ratepayers. The rate of grant is determined by a board's assessment wealth, and so varies from board to board.
- Although incremental changes have been made to the funding model since 1968, it is now under severe pressure because of the wide variation in assessment wealth across Ontario. Also, litigation is pending over the "equivalency" of French-language education to English-language education, and over the lack of provincial funds for religious schools other than those operated by Roman Catholic school boards.
- In February 1991, the Ontario Government established a Fair Tax Commission to study all areas of taxation and to make recommendations for fairer taxation. The Commission will be studying property tax, including its use as a revenue source for the financing of education. At the same time, the Ministry of Education will be reviewing the education finance system from the point of view of identifying the needs of the learner, the cost of the programs and services that are required to meet those needs, and the best way to distribute funds to meet those needs.

Provincial Support

- Total school board expenditures for 1990 were $12 billion. Of this, $9.6 billion was recognized for shared funding by the Province. The Province contributed $5.5 billion towards these recognized costs.

Local Support

- Of the $9.6 billion in expenditure recognized by the Province, local property taxes contributed $4.1 billion. The total amount of unrecognized expenditure, $2.4 billion, were raised from the local property tax base.
- Tax rates are levied on the valuation of property, including residential, farm, cottage, industrial and commercial property. Because properties were assessed at different times, valuation varies from municipality to municipality. Reassessment to market value is available to municipalities on a voluntary basis but, to ensure taxation is equitable, the Province "equalizes" all assessment by converting local assessed values to current market value.
- *Designation of school support:* Residential and farm assessment is automatically directed to the public school system unless the taxpayer is a Roman Catholic and specifically indicates on the assessment form that he/she wishes to support the separate school system. Ratepayers defined as "French-speaking" under Section 23 of the Canadian Charter of Rights and Freedoms may also designate their support to a French-language public or French-language Catholic school board or sector, where one exists. Similar rules exist for sole-proprietorship businesses and partnerships, and for non-publicly traded corporations (i.e., private corporations where shareholders can be identified).
- The assessment from publicly traded corporations is shared within a school jurisdiction by the coterminous public and Roman Catholic boards (and by the French-language boards or sectors, where they exist). This commercial-industrial assessment is shared or "pooled" between boards in the same proportion as the division of residential and farm assessment that exists in the municipalities within the jurisdiction. Pooling was instituted in 1990 and is being phased in over six years.
- Local property taxes are partly or wholly offset for senior citizens and persons with low incomes through property tax credits which are administered through the personal income tax system. For the purposes of this paper, however, these tax credits have *not* been included as part of Provincial Support.
- Education taxes currently constitute, on average, about 52 percent of the municipal property tax bill.

II. THE BASIC SUPPORT PROGRAM

Basic Per Pupil Grant

Funding allocated for 1990: $3,071.8 million (56.4% of total allocation)

Nature of Program: The Basic Per Pupil Grant is an equalization payment. It is the difference between a school board's Recognized Ordinary Expenditure (the amount the Province deems necessary to provide a base level of education) and the amount the board is able to raise from its "equalized" assessment base. [*Ontario Regulation 141/90*]

Basic Per Pupil Amount: For 1990, the Basic Per Pupil amounts were $3,500 per elementary pupil and $4,430 per secondary pupil.

Units: Pupils, or Average Daily Enrollment (ADE). The Recognized Ordinary Expenditure of a board is the board's ADE multiplied by the Basic Per Pupil amounts.

Local Fiscal Capacity: The value of the equalized assessment of all property in the board's jurisdiction. Each year the Province establishes a standard mill rate that each board applies to its equalized assessment to determine the local contribution to Recognized Ordinary Expenditure.

For 1990, the standard mill rate for Recognized Ordinary Expenditure was 0.005540 (or 5.540 mills) for elementary school purposes and 0.004572 (or 4.572 mills) for secondary school purposes. One mill raises $1.00 of revenues for every $1,000 of equalized assessment.

Negative Grant: Two large urban school boards with very high equalized assessment per pupil calculate negative grant entitlements for the Basic Per Pupil Grant. When these boards apply the provincial standard mill rate to their equalized assessment bases, they raise more than their Recognized Ordinary Expenditures. At present, however, other grant entitlements offset this negativity. In 1990, there were no school boards in Ontario in an overall negative grant situation.

Support included in the Basic Per Pupil Grant

1. Special Education and Trainable Retarded Pupils: In 1989, the Special Education Grant and the Grant for Programs for Trainable Retarded Pupils were incorporated into the Basic Per Pupil Grant, reflecting the Province's view that the provision of education for "exceptional" pupils is part of the basic responsibility of school boards under the *Education Act*.

Exceptional pupils are defined as those having behavioural, communicational, intellectual, physical or multiple exceptionalities.

In 1990, the Special Education portion of the Basic Per Pupil Grant was $236 per elementary pupil and $168 per secondary pupil. The portion for Trainable Retarded Pupils was $24 per elementary and secondary pupil.

See also Grant for Programs in lieu of Provincial Services for Blind/Deaf Pupils.

2. Compensation for Pooling: To ease the implementation of the pooling initiative, the government committed $180 million in grants over the six-year period of the phase-in. While these funds were committed to address losses in public school board revenues due to pooling, they are distributed to all boards.

For 1990, $16 per pupil was incorporated into the Basic Per Pupil Grant as compensation for pooling.

Adjustments to the Basic Per Pupil Grant for Special Factors:
Board-Specific Grants

Funding allocated for 1990: $200.2 million (3.7% of total allocation)

Description: Board-Specific Grants address the fact that the cost of providing the base level of education programs and services varies with geographic, demographic and socio-economic conditions across Ontario. They replace weighting factors formerly in the funding model, and are provided at 100 percent of recognized costs. [*Ontario Regulation 141/90*]

Note: The phrase *Funding in 1990* indicates the actual amount of grant paid to school boards.

1. French-as-a-First-Language Grant

Funding in 1990: $29.5 million

Description: Under the *Education Act*, a school board must provide instruction in the French language to any pupil who meets the definition of a "French-speaking person" as defined in Section 23 of the Canadian Charter of Rights and Freedoms. The grant recognizes the higher instructional, material and administrative costs school boards incur in providing this program.

Calculation: For elementary levels, $278 per pupil enrolled. For secondary levels, $85 per pupil enrolled in Grades 9 and 10, and $91 per pupil enrolled in Grades 11 and 12/OAC.

Extent of Participation: 62 boards

2. Small Schools Grant

Funding in 1990: $25.7 million

Description: This grant offsets the higher per pupil cost of programs in small schools, which generally exist in sparsely populated areas. Small elementary schools are defined as having less than an average of 20 pupils per grade (200 pupils for a JK-8 school), and are eight or more kilometres from another school of the same language of instruction. Small secondary schools are defined as having less than an average of 120 pupils per grade (600 pupils for a Grades 9-12/OAC school) and are located 32 or more kilometres from another school of the same language of instruction.

Calculation: The grant is based on a sliding scale of the number of pupils per grade. For elementary levels, the maximum is 100 percent of the Basic Per Pupil amount ($3,500) in additional grant. For secondary levels, the maximum is 90 percent of the Basic Per Pupil amount ($4,430) in additional grant.

Extent of Participation: 96 boards

3. Small Boards Grant

Funding in 1990: $19.9 million

Description: Small school boards are defined as boards with an elementary or secondary enrollment of 5,000 or fewer pupils. The grant provides financial support to offset per pupil costs for administration and educational services that are higher than those of larger boards. The grant was increased in 1989 to further offset costs for supervisory services that were formerly provided directly by the Province.

Calculation: A base amount of $62,400 per board, plus an amount per pupil ($128 elementary, $176 secondary) based on a sliding scale of the number of pupils enrolled in the board. Maximum eligible enrollment, 5,000. The smaller the enrollment, the larger the grant.

Extent of Participation: 97 boards

4. Small Sections Grant

Funding in 1990: $3.1 million

Description: All school boards with an English-language section and a French-language section, where one or both of the sections have fewer than 500 pupils, receive this grant. It assists boards with the costs of providing administrative, consultative and supervisory services where pupil enrollment is low. The grant was increased in 1990 to further offset costs for supervisory services that were formerly provided directly by the Province.

Calculation: The grant is based on a sliding scale of the number of pupils enrolled in the section. Maximum eligible enrollment, 500. The smaller the enrollment, the larger the grant.

Extent of Participation: 42 boards

5. Goods and Services Grant

Funding in 1990: $41.6 million

Description: This grant acknowledges the higher cost of purchasing goods and obtaining services incurred by school boards in Northern Ontario (i.e., north of a defined geographical line).

Calculation: Depending on the size and location of the board and its proximity to a city or town of 25,000 population, it could receive an additional six percent of the Basic Per Pupil amount (i.e., $201 per elementary pupil and $250 per secondary pupil), or an additional nine percent of the Basic Per Pupil amount (i.e., $302 per elementary pupil and $385 per secondary pupil).

Extent of Participation: 49 boards

[Effective September 1991, the Goods and Services Grant was changed to acknowledge the higher cost of purchasing goods and obtaining services incurred by school boards throughout Ontario that are distant from major urban centres and/or whose schools are distant from each other (i.e., not just boards in Northern Ontario). The revised calculation will be phased in to ensure that no board experiences an increase or decrease in this grant of more than 10 percent in any year.]

6. Compensatory Education Grant

Funding in 1990: $80.4 million

Description: Compensatory education grants assist boards in addressing the needs of students who are economically or socially disadvantaged and, therefore, at risk for academic failure and dropout.

Calculation: All boards above a median on a scale designed to measure need for compensatory services receive this grant. The variables considered are income, a mother tongue that is neither English nor French, percentage of the local population in receipt of welfare, and percentage of the local population in public housing. The grant varies from $66 to $167 per elementary pupil and from $42 to $107 per secondary pupil.

Extent of Participation: 76 boards

7. Grant for Teachers' Qualifications and Experience

Funding in 1990: $29.1 million

Description: All boards that spend above the provincial average with respect to a combination of teacher experience and teacher qualifications receive a grant to assist them with the expenditure over the average.

Calculation: The grant is calculated using an instructional salary matrix, and is paid at the board's rate of grant on Recognized Ordinary Expenditure. A local share is required.

Extent of Participation: 72 boards

III. TRANSPORTATION

Funding in 1990: $396.2 million (7.3% of total allocation)

Description: The Transportation Grant is paid as part of the Grant on Recognized Extraordinary Expenditure. It assists school boards with the costs of transporting pupils from home to school or from school to school. Transportation policy and routes are established by the boards. [*Ontario Regulation 141/90*]

Calculation: The Ministry of Education determines the amount of each school board's transportation expenditure that it will recognize. The rate of grant on recognized expenditure is based on the board's assessment wealth. The board must make up the balance of the costs as its local share.

Recognized expenditure is based on the number and size of vehicles, the number of kilometres the vehicles travel and the occupancy ratio of the vehicles. Recognized transportation expenditure up to $414 per pupil is supported by a grant at the rate of 75 percent for a board of average assessment wealth. Recognized transportation expenditure in excess of $414 per pupil is supported by a grant at 95 percent for a board of average assessment wealth.

Extent of Participation: 122 boards

[Beginning in July 1991, the Transportation Grant is being calculated differently to encourage efficiencies in school board transportation practices. The changes are being phased in to ensure that no board experiences a decrease in this grant of more than 10 percent in 1991.

1. The need for transportation within a board is determined by the density of its pupil population: the less densely populated an area, the greater the need for transportation and the greater the grant. The rate of grant for the determined "need" is 100 percent.

2. Additional recognized transportation expenditure in excess of the "need" portion determined above is shared between the Province and the board. The rate of grant on this additional expenditure is about 45 percent for a board of average assessment wealth.]

IV. CAPITAL OUTLAY AND DEBT SERVICE

In 1988, the Province announced that it would be instituting a multi-year commitment of capital funds. In both 1989 and 1990, the Ministry of Education pre-flowed capital grants to school boards. The figures shown below indicate funding *allocated* for 1990, and provide a reasonable indication of the amount of capital grant that would be paid to boards in any one year of the multi-year funding commitment. Because of the pre-flow, it is difficult to provide meaningful figures for extent of participation for Special Capital Funding Initiatives for 1990, and so they have been omitted.

Funding allocated for 1990: $332 million (part of a $1.2 billion multi-year commitment of funds, 1989-94) (6.1% of total allocation)

Site Purchase and New Pupil Places (including child care and Junior Kindergarten spaces):	$254.6 million
Renovation and Replacement:	$ 42.3 million
Program Upgrade (including Technological Education):	$ 35.1 million

Description: Capital grants assist school boards in financing new schools and additions, site purchases, replacements and renovations of existing schools, and portables.

Each year, the Ministry of Education requires school boards to submit a multi-year Capital Expenditure Forecast, which outlines, in order of priority, the board's needs for new school buildings, additions and renovations for the next five years. The exercise of establishing priorities requires a board to examine its own facilities and those of other boards in its proximity, to ascertain if there are alternatives to major capital expenditures. The Ministry then establishes priorities on a provincial basis and makes capital allocations. [Ontario Regulation 141/90]

Extent of Participation: 97 boards received capital allocations in 1990

Capital Outlay

The amount of capital grant generated by a given project depends on the board's ability to finance the project from its local tax base. The average rate of provincial support for capital projects for new sites and pupil places is 60 percent. This rate applies to projects that received an allocation after April 20, 1989. It was reduced from the previous average of 75 percent to make funding available for more new projects. Approved costs for other capital projects continue to be supported at an average rate of 75 percent.

Boards may finance capital expenditures through the use of current funds, either raised in-year or from reserves, debentures, and/or Education Development Charges.

Debt Service

Current Funds: The maximum amount of revenue that a board may spend on permanent improvements in any one year is limited to one mill on equalized assessment, or any amount in a board reserve fund established for this purpose.

Debentures: Boards that wish to issue debentures for permanent improvements must obtain from the Ontario Municipal Board (OMB) a Quota Approval at the planning stage and a Final Approval immediately prior to the letting of a construction contract.

The Ministry informs the OMB of its annual capital allocations. If a board wishes to issue a debenture, the OMB examines the allocation in relation to other capital projects in the municipality's jurisdiction, establishes a quota and advises the board.

[Education Development Charges (EDCs): The area surrounding Metropolitan Toronto experienced a very high rate of growth in the 1980s. As a result, local school boards faced a tremendous need for new schools. While provincial capital funding increased significantly, it could not keep up with the demand. Education development charges, through legislation that came into effect in November 1989, are intended to assist boards in addressing the need for new pupil places in areas of high growth.

The Development Charges Act, 1989, *enables school boards to finance up to 100 percent of the local share of capital projects by charging developers a levy on new residential and commercial development. If a school board expects that new residential development will increase its student enrollment to the extent that new schools will be required, it can pass a bylaw to levy an EDC related to these capital costs. Eligible capital costs include new schools, school site purchases and furniture and equipment. Coterminous boards must work co-operatively in the establishment of charges and the spending of revenue. Charges are collected by the local municipality from the developer at the building-permit approval stage.*

No EDC bylaws were passed in 1990-91.]

Special Capital Funding Initiatives

1. Child Care Spaces in New Schools

Funding allocated for 1990: $12 million

Description: The grant was designed to ensure that child care spaces were provided for school-aged children in all new and replacement schools.

Calculation: Covers 100 percent of recognized costs, up to the maximum of the allocation.

[In 1991, the guidelines for capital grants for child care spaces were changed to permit more discretion on the part of a school board as to the appropriate location of such spaces. Requests can now be made to transfer funds that were allocated to a centre in a new or replacement school towards the creation of centres at existing schools.]

2. Junior Kindergarten Spaces

Funding allocated for 1990: $20 million (part of $100 million allocated over five years)

Description: The Province requires all school boards to offer Junior Kindergarten by 1994. (Attendance is voluntary.) Most boards already offer JK, but the grant assists those boards who do not provide it to add pupil places.

Calculation: Grants are provided according to the normal capital grant procedures (see **Capital Outlay** above).

3. Renewal Fund for Technological Education

Funding allocated for 1990: $12 million (part of $60 million allocated over five years)

Description: School boards that wish to renew technological education programs in communications, construction, manufacturing, services and transportation are eligible. The boards must consult with key community and business partners and draft a three-year plan explaining how the program will be implemented. See also the Technological Education Grant.

Calculation: Each school delivering Grades 10, 11 and 12 technological studies is eligible for up to $200,000 per technological program.

V. TEACHER RETIREMENT

Funding allocated for 1990: $624.9 million (11.5% of total allocation)

Description: The Province pays the employers' share of teachers' pension expenses on behalf of school boards. Teachers pay 8.9 percent of salary

In 1990, the government also began paying down the $4 billion unfunded liability in the Teachers' Pension Fund. The 1990 payment was about $200 million.

VI. SPECIAL EDUCATION

Since 1989, the Special Education Grant has been part of the Basic Per Pupil Grant.

VII. COMPENSATORY EDUCATION

The Compensatory Education Grant is a Board-Specific Grant applied as an adjustment to the Basic Per Pupil Grant.

VIII. GIFTED AND TALENTED EDUCATION

Gifted and talented pupils are considered "exceptional pupils" as defined by the *Education Act*, and the Special Education Grant recognizes the costs of educating all exceptional pupils.

IX. BILINGUAL AND HERITAGE LANGUAGES EDUCATION

Funding allocated in 1990: $247.4 million (4.5% of total allocation)

Support is provided for a number of language training programs, as follows: [Ontario Regulation 141/90]

1. French-as-a-First-Language Grant: This is a Board-Specific Grant applied as an adjustment to the Basic Per Pupil Grant.

2. French-as-a-Second-Language Grant:

Funding in 1990: $130.2 million

Description: This grant provides for the additional costs of offering core, extended and immersion programs in French.

Calculation: Based on the number of pupils enrolled in the program. At the elementary level, it ranges from $119 to $278 per pupil, depending on the length of the program (from 20 minutes per day to full immersion). At the secondary level, it ranges from $55 to $139, depending on the number of credits.

There is an additional grant of $3,374 per course, to a maximum of four courses, for boards that, for the first time, offer a French-language course in a subject other than French.

Extent of Participation: 119 boards

3. Native-as-a-Second-Language Grant:

Funding in 1990: $0.7 million

Description: This grant assists school boards that provide Native language courses in addition to, or as a substitute for, French as a Second Language. Languages offered are Ojibwe, Cree, Deleware, Mohawk, Oneida and Cayuga.

Calculation: Based on the number of pupils enrolled in the program. At the elementary level, it is $209 per pupil for a 20-to-40 minute per day program and $371 per pupil for a program of more than 40 minutes per day. At the secondary level, it is $55 per pupil for a credit in Grades 9 and 10, and $72 per pupil for a credit in Grades 11 and 12/OAC.

To help boards initiate this program, the Ministry also provides a start-up grant for the first five years of the program of $200 per pupil enrolled. While the amount of funding, the number of boards and the number of pupils involved is relatively small, the grant is an important part of the Ontario Government's commitment to improving the quality of education for Natives.

Extent of Participation: 21 boards

4. Additional Language Instruction Grant:

Funding for 1990: $76.5 million

Description: This grant is offered to school boards that provide, as part of the regular day-school program, language instruction for pupils whose first language is neither English nor French. These English/French-as-a-Second-Language (ESL/FSL) programs enable pupils to participate in regular classes as soon as possible.

Calculation: Based on the number of ESL/FSL teachers employed by a board that are in excess of four teachers per 10,000 pupils at the elementary level and two teachers per 10,000 pupils at the secondary level. The level of salary recognized is $42,250 per elementary level teacher and $49,600 per secondary level teacher. Additional grants are available for boards offering ESL/FSL programs for adults in evening classes, as part of the Grant for Continuing Education.

Extent of Participation: 32 boards

5. Mixed-Language Secondary Schools Grant:

Funding in 1990: $1.3 million

Description: This grant encourages boards to provide a wide range of courses and services in the minority language (either English or French) of a mixed-language secondary school.

Calculation: Based on a sliding scale of the number of pupils per grade. There is a maximum of $4,760 per credit offered in the minority language, with the grant being reduced as the population of minority-language pupils approaches 120 per grade.

Extent of Participation: 17 boards

6. Heritage Language Grant:

Funding in 1990: $13.4 million

Description: The grant is for approved classes for Heritage Language instruction in a language other than English or French. Such classes must be offered (outside of regular classroom hours) if a specified number of parents request the instruction.

Calculation: $39 per hour of classroom instruction, with a reduction for small classes.

Extent of Participation: 62 boards

X. OTHER CATEGORICAL PROGRAMS

Funding allocated for 1990: $573.2 million (10.5% of total allocation)

[Except where noted, the authority for all of the following grants is *Ontario Regulation 141/90*.]

Grant for Full-Day Kindergarten

Funding in 1990: $1.5 million

Description: Effective September 1990, the Province provides funding to encourage boards to offer full-day kindergarten programs.

Calculation: Based on the number of pupils enrolled in the additional half-day of a full-day program. The grant is provided at the board's usual rate of grant for Recognized Ordinary Expenditure. The board must make up the balance of the costs as its local share.

Extent of Participation: 22 boards

Grant for Reduction of Class Size in Grades 1 and 2

Funding in 1990: $132.6 million

Description: The grant assists school boards with the costs of reducing class sizes in Grades 1 and 2 to an average pupil-teacher ratio of 20:1.

Calculation: 100 percent of the average teacher salary/benefits cost, multiplied by the number of additional teachers hired to achieve the reduction.

Extent of Participation: 122 boards

Grant for Purchase of Computer Hardware

Funding in 1990: $59.0 million

Description: This grant is paid as part of the Grant on Recognized Extraordinary Expenditure. It supports a government initiative to promote technology upgrading and computer literacy in schools.

Calculation: The Ministry of Education determines the amount of each school board's expenditures on computer hardware that it will recognize. The rate of grant on recognized expenditure is based on the board's assessment wealth. The board must make up the balance of the costs as its local share.

Extent of Participation: 122 boards

Grant for the Purchase of Textbooks

Funding in 1990: $12.5 million

Description: The grant supports a government initiative to increase the number of textbooks purchased by school boards.

Calculation: Based on the amount by which a board exceeds the threshold of $13 per elementary pupil and $22 per secondary pupil (average textbook expenditures per pupil before the initiative was introduced). The grant is provided at the board's usual rate of grant for Recognized Ordinary Expenditure. The board must make up the balance of the costs as its local share.

Extent of Participation: 122 boards

Grant for Learning Materials

Funding in 1990: $19.3 million

Description: The grant supports a government initiative to emphasize education in the early years, and assists boards to purchase learning materials for pupils in the Primary and Junior Divisions (JK to Grade 8).

Calculation: $17 per elementary pupil

Extent of Participation: 122 boards

[In 1991-92, the Grant for Learning Materials was folded into the Basic Per Pupil Grant.]

Grant for Intermediate Science

Funding in 1990: $5.1 million

Description: This grant supports a government initiative to emphasize science in the Intermediate Division (Grades 7 to 10).

Calculation: $2.25 per elementary pupil and $4.70 per secondary pupil.

Extent of Participation: 122 boards

[1990-91 was the last year this grant was available.]

Recognized Extraordinary Expenditure Grant

Funding in 1990: $495.8 million

Description: This grant assists school boards with the costs of pupil transportation, purchase of computer hardware, debt charges, and capital expenditure exclusive of expenditure on direct capital projects. See separate descriptions of the Transportation Grant (page 623) and the Grant for Purchase of Computer Hardware.

Calculation: The Ministry of Education determines the amount of each school board's expenditures on the above-noted items that it will recognize. The rate of grant on recognized expenditure is based on the board's assessment wealth. The board must make up the balance of the costs as its local share.

Extent of Participation: 122 boards

Technological Education Grant

Funding in 1990: $2.3 million

Description: This grant recognizes the higher per pupil cost involved in providing technological and vocational programs because of the smaller class sizes and individualized pupil requirements involved, and is allocated to boards that provide a large number of these courses. See also the Renewal Fund for Technological Education.

Calculation: Based on the number of technological education teachers employed by a board that are in excess of five teachers per 1,000 pupils. The level of salary recognized is $49,600 per teacher.

Extent of Participation: 35 boards

Grant for Programs in lieu of Provincial Services for Blind/Deaf Pupils

Funding in 1990: $15.6 million

Description: Grants are provided for salaries and benefits for specialist teachers and teacher aides, where a school board offers an approved Special Education program for blind/deaf pupils who might otherwise attend a provincial school for the blind/deaf.

Calculation: The number of teachers and half the number of teacher-aides employed by the board for the purposes of the program, multiplied by a salary of $46,000 for an elementary program and $52,900 for a secondary program.

Extent of Participation: 68 boards

[Effective September 1991, an additional grant is being paid to school boards to assist them in providing Braille transcription services at the elementary and secondary level. As well, in 1991 a grant will be paid for oral and manual interpreters at the secondary level. This will be extended to the elementary level in September 1994. School boards are required to contribute a local share of the costs of these services.]

Grant for Education Programs in Care, Treatment and Correctional Facilities

Funding in 1990: $55.1 million

Description: The grant assists school boards that provide educational programs for school-age pupils who cannot attend their local school because they have been placed in a care, treatment or correctional facility.

Calculation: 100 percent of the actual cost of salaries and benefits for the teachers and teacher aides involved in such programs

Extent of Participation: 77 boards

Grant for Continuing Education, Secondary Summer School and Driver Education

Funding in 1990: $88.5 million

Description: This grant supports the government's commitment to continuing education, adult literacy and numeracy, English/French-as-a-second-language programs for adults and citizenship programs. It also provides support for secondary summer school programs and the "in-class" portion of driver education programs.

Calculation: $2,150 per "full-time equivalent" pupil, where full-time equivalent equals 975 hours of classroom instruction

Extent of Participation: 111 boards

Grant for the Cost of Education for Nonresident Pupils

Funding in 1990: $54.6 million

Description: This grant reimburses school boards for the cost of educating pupils who are enrolled in their schools but who reside in areas outside the jurisdiction of any board. It also reimburses boards for the cost of educating pupils who reside in institutions or group homes, or who are wards of a children's aid society.

Calculation: The board's average operating expenditure per pupil, plus an amount for accommodation charges.

Extent of Participation: 108 boards

Grant for Open-Access Tuition Fees

Funding in 1990: $51.2 million

Description: Since 1985, when public funding for secondary education was extended to the Roman Catholic separate school system, secondary school students have had the right of "open-access"; that is, the students can choose to attend either the public or separate system, even though their parents' taxes support the other system. In those situations, the board supplying the service charges a tuition fee to recover costs from the board that receives the taxes.

Calculation: The grant makes up the difference where the costs for the educating board are higher than the costs in the tax-recipient board, thereby ensuring that the costs of these students to the tax-recipient board are no greater than if the board had educated them in its own schools.

Extent of Participation: 48 boards

Assistance for En Bloc Transfers

Funding in 1990: $2.7 million

Description: Since the extension of public funding for secondary education to separate school boards in 1985, a number of French-language secondary schools have been transferred from public to separate school boards. This grant offsets overhead costs which remain with the public board.

Calculation: The grant covers the board's nontransferable costs, as approved by the Ministry of Education.

Extent of Participation: 12 boards

Change in Tax Revenue

Funding in 1990: ($61.3 million)

Description: Where a community has lost assessment during a year because of the closure or removal of industry (resulting in a tax writeoff), extra grant is paid to the school board in the following year to partially offset the reduction in tax revenue.

Where new development results in an increase in the assessment base during a year and, therefore, greater revenue to the board (through supplementary taxes), the increased revenue is partially offset by a reduction in the grant payable to the board in the following year.

Calculation: The increase or reduction is calculated according to the equalization formula and principles of the grant plan.

Extent of Participation: 121 boards

Isolate Boards Grant

Funding in 1990: $28.5 million

Description: "Isolate" boards, which are very small school boards located in remote areas, have high per pupil costs and low tax bases. Isolate boards are funded on a program-approval basis, rather than according to the grant formula.

Calculation: The grant is the difference between the board's program costs, as approved by the Ministry of Education, and local tax revenues.

Extent of Participation: 34 boards

Grant for Boards on Tax-Exempt Land

Funding in 1990: $8.1 million

Description: This grant provides for part of the costs of operating schools on tax-exempt land, including schools on armed forces bases and in sanatoriums, hospitals, crippled children's treatment centres and centres for the treatment of cerebral palsy. Eligible costs include teachers' salaries, transportation, and the board and lodging of students.

Calculation: For schools on armed forces bases, the grant covers 50 percent of all costs, excluding capital costs. For schools in hospitals and treatment centres, the grant covers 80 percent of teachers' salaries and approved transportation costs and 50 percent of the remaining costs, excluding capital costs.

Extent of Participation: 10 boards

Special Support for Pooling

Funding in 1990: $1.5 million

Description: Additional funds are incorporated in the Basic Per Pupil Grant to address possible losses in assessment as a result of pooling of commercial/industrial assessment between co-terminous public and separate school boards. It was anticipated that, even with this additional support, a small number of public boards would experience a loss of revenue. The Special Support for Pooling Grant provides additional funds to ensure that no public school board experiences a net loss of revenue because of pooling.

Calculation: The grant covers the difference between the amount of a board's loss of assessment due to pooling and the amount of compensation for pooling paid to the board under the Basic Per Pupil Grant. Each board's situation is considered individually.

Extent of Participation: 14 boards

Educational Programs Other

Funding allocated for 1990: $36.9 million

Description: These funds support a wide range of programs, including: drug-awareness programs; the hiring of consultants to help with professional development and the implementation of new educational initiatives; the purchase of educational software; the development of computer networks for sharing of administrative procedures and information among school boards; and the purchase of large-scale learning equipment for Junior Kindergarten classrooms. [No statutory authority.]

Calculation: Funding is not based on a formula. The Ministry assesses each application for funds individually.

Extent of Participation: While all of the funding supports education, it does not all go to school boards. Other recipients include individuals, teachers' groups and other associations.

XI. PROVINCIAL OR LOCAL AID FOR PRIVATE JK/12/OAC SCHOOLS

Roman Catholic separate schools and French-language schools in Ontario have constitutional rights to public funding. Aside from these schools, Ontario provides no funding for private education.

XII. STATE PROGRAMS FOR PRE-KINDERGARTEN EDUCATION

Child care operating expenses are not funded by the Ministry of Education. The Ministry does provide a capital grant for Child Care Spaces in schools.

There is also a capital grant to assist school boards in providing spaces for Junior Kindergarten programs, which all boards must offer by 1994. Operating funds for JK are provided as part of the Basic Per Pupil Grant.

XIII. PROVINCIALLY IMPOSED LIMITS ON SPENDING OR TAXES BY SCHOOL DISTRICTS

Under the *Education Act*, school boards are required to balance their budgets; i.e., to raise through property taxes enough funds to cover their estimated expenditures, less the anticipated revenue from provincial grants and other sources. Aside from this requirement, there is no provincially-imposed limit on board spending or on the amount of a board's levy on its tax base.

XIV. NATURE OF THE PROPERTY TAX ASSESSMENT SYSTEM

Property valuation in Ontario varies from municipality to municipality. Since 1970, property assessment has been carried out by the provincial Ministry of Revenue under the authority of the *Assessment Act*, but reassessment to market value is a voluntary decision made at the municipal level.

The Ministry of Revenue's Property Assessment Program provides for the valuation of all real property at market value, both for local government assessment and taxation purposes and for an equitable basis of assessment for the distribution of grants, including education grants. The market value base for assessments is updated every four years, with the next base to be 1992 market value available for implementation in 1994.

Three different reassessment programs are available. Under each option, the residential mill rate for municipal and school purposes is 15 percent lower than the commercial mill rate. The most common classes of property are: residential, one to six units; residential, seven or more units; commercial; industrial; and farm. In the options below, "Section 70" and "Section 63" refer to sections of the *Assessment Act*.

Local government in Ontario involves two tiers: local municipalities form the lower tier; they are grouped under an upper-tier structure that can be a "county" or a "regional municipality."

1. The "Section 70" reassessment program is available to local municipalities. It involves reassessment of all properties to full market value. This option allows taxes to shift among classes of property as market values change.

2. The "Section 63" reassessment program is also available to local municipalities. It involves equalization within classes of property by factoring assessments in each class so that taxes do not shift between classes. The total assessed value of the property in the municipality is maintained at the pre-reassessed level.

3. The County/Region Reassessment Program is available on a county-wide or region-wide basis. It can be carried out as either a Section 70 or a Section 63 reassessment. Unlike the municipal reassessment programs, however, updates to the base are automatic every four years once the program has been implemented.

XV. EARMARKED PROVINCIAL REVENUE

There are no provincial funds earmarked for education.

PRINCE EDWARD ISLAND

Gar Andrew
P.E.I. Department of Education

I. GENERAL BACKGROUND

Provincial Support

- On Prince Edward Island there are five school boards. In 4 of the 5 school boards (Regional Administrative Units) the first language is English while in the fifth school board the first language is French. The boundaries of the English school boards divide the province into four different regions while the French school board encompasses the entire province. The French school board reflects the concentration of French speaking inhabitants in several areas of the province.
- Grades 1-12 are financed as part of elementary/secondary education in all 5 school boards. There is no system of publicly funded kindergarten in the province.
- The total enrollment in the province for the school year 1990-91 was 24,504. This includes elementary and secondary public and private schools.
- The total costs of elementary and secondary education are drawn from the general revenues of the Province.
- Between 1969 and 1972 changes were made to the *Real Property Tax Act* (R.S.P.E.I., 1990) and the *School Act* (R.S.P.E.I., 1988) Numerous small school boards were consolidated and grouped into five regional administrative units, and the "School Tax" became part of the property tax. Responsibility for assessing, levying and collecting property taxes became a provincial responsibility and continues to be.
- The provincial share of the revenue of the school boards is 100%.
- For the school year 1972-73, a foundation program was established as the general grant mechanism. It was developed to set out the overall goals of education and establish a funding mechanism to achieve an equitable distribution of available funding among the five regional administrative units. With some modifications to the foundation program, this system remains in place.
- There are no pending court challenges to the existing funding arrangement.

Local Support

- The *School Act* allows the regional administrative units, with the authorization of the Minister of Education and majority plebiscite of the constituents, to levy and collect a "local tax" in accordance with the *Real Property Tax Act* to be used to support "Supplementary Programs." To date this power has not been used.

II. THE BASIC SUPPORT PROGRAM

The 1990-91 General School Aid Formula

The Foundation Program is the mechanism for providing financial grants to Regional Administrative Unit School Boards to fund the elementary and secondary education system of Prince Edward Island. The foundation program provides 100% of the school boards budget. *The School Act* (R.S.P.E.I., 1988) section 5 (a) empowers the Minister of Education to establish a foundation or other program for all regional administrative units.

The Foundation Program grants funding to the regional administrative units in a number of different areas. For the year 1990-91 it totaled $106.9 million. The size of the grant is determined, for the most part, on historical spending patterns and on the number of pupils or full -time equivalents (FTEs) determined by enrollment in each school board as well as a number of other criteria.

Provincial Share: The provincial government provides 100% of the school boards budget. It funds all types of programs.

Local Share: The school board does not raise any of its revenue from local taxation. It does generate some revenue from rentals, interest income, sale of assets and other miscellaneous revenue. School boards are authorized to spend only those amounts approved by the Minister per the *School Act*. Should boards overspend their budgets in any year, the amount of the over expenditure is deducted from the grants of the second year after the year of the deficit.

Extent of Participation: All students of school age within the province, with the exception of those who attend the two small private schools, are part of the ratio (99.7%). No funding is provided for private schools, although free textbooks for the authorized provincial curriculum are supplied.

Grants are provided to the Regional Administrative Units in the following categories as part of the Foundation Program.

A.	PERSONNEL			$85.7 million
	1.	Instructional-Supervisory	$ 0.7 million	
	2.	Instructional Non-Supervisory	$60.5 million	
	3.	Non-Instructional Supervisory	$ 0.6 million	
	4.	Non-Instructional Non-Supervisory	$13.5 million	
	5.	Substitutes, Casual Employees and Overtime Provisions for Instructional Non-Supervisory and Non-Instructional Non-Supervisory Personnel	$ 1.4 million	
	6.	Funding—Personnel Costs	$ 9.0 million	
B.	ADMINISTRATION			$1.2 million
C.	MAINTENANCE - PHYSICAL PLANT			$5.6 million
D.	PROGRAM			$1.4 million
E.	TRANSPORTATION			$2.2 million
F.	PROFESSIONAL DEVELOPMENT			$0.1 million
G.	CAPITAL (Non-amortized)			$0.8 million
H.	BUS PURCHASES			$1.6 million
I.	DEBT RETIREMENT			$8.4 million
H.	SUPPLEMENTARY FUNDING — MINORITY AND SECOND LANGUAGE PROGRAMS			$0.1 million

Personnel. The responsibility for employing and supervising instructional and non-instructional personnel is vested in each Regional Administrative Unit (Section 24 and 25 of the *School Act*). The Department of Education gives enabling grants to the school boards to pay personnel in the Instructional-Supervisory Category, Special Needs instructors in the Instructional Non-Supervisory Category, personnel in the Non-Instructional Supervisory Category and personnel in the Non-Instructional Non-Supervisory Category as well as to pay for substitutes, casual employees and overtime.

The number of positions which are funded are determined as outlined in the Foundation Program.

Instructional Non-Supervisory. The number of Instructional Non-Supervisory personnel is determined by the number of full-time equivalent students with the enrollment count for each Regional Administrative Unit being verified by the Minister.

(a) One position for every 19.3 full-time equivalent pupils, excluding vocational, enrolled in programs in schools under the jurisdiction of a Regional School Board as of October 31 of the previous year. Part-time students, including students enrolled in project integration, will be converted to full-time equivalents by using the following formula:

$$\frac{\text{total number of credits taken by all part-time students}}{5} = N$$

where N equals the number of full-time equivalent students.

(b) One position for every 14 full-time equivalent pupils enrolled in Department of Education approved vocational programs under the jurisdiction of a Regional School Board as of October 31 of the previous year.

Administrative Positions. Within the ratios of 19.3:1 and 14:1 a Regional School Board

(a) may establish the position of a Principal for each school.

(b) may establish the position of Vice-Principal for each 400 full-time equivalent pupils or greater fraction thereof officially enrolled in that Regional Administrative Unit.

(c) may establish one Department Head position for each three hundred full-time equivalent pupils or greater fraction thereof officially enrolled in that Regional Administrative Unit.

(d) may establish one Program Coordinator position in lieu of two Department Head positions.

Notwithstanding the formulae to be used in determining the number of Principal, Vice-Principal, Coordinator and Department Head positions that a Regional School Board may establish under the following section, where a Regional School Board does not utilize all of the positions available in any one category the Board may utilize the equivalent responsibility allowance available for such positions of responsibility as determined by the Board.

Teachers appointed as Principals, Vice-Principals, Coordinators and Department Heads shall be paid a basic teacher's salary plus a responsibility allowance as set forth in the Memorandum of Agreement between the Province of Prince Edward Island and the Prince Edward Island Teachers' Federation.

III. TRANSPORTATION

According to Section 44 (1) of the *School Act*, the Minister of Education must provide necessary transportation for pupils of school age. Transportation, excluding bus purchases, accounts for 8.1% of the Department of Education's budget. Transportation for all Island students in 1990-91 cost $8.6 million. By board policy all pupils living one mile or more from their school may receive transportation. Transportation costs are determined by the provisions in the Foundation Program which is described below:

The Department of Education will provide each Regional School Board with funding for transportation of pupils who require transportation to and from school. The transportation of pupils shall be, in so far as is practicable, provided on a board-owned and board-operated transportation system. It is recognized that in certain instances it will be necessary for a Regional School Board to employ contracted transportation services. In such cases the Board shall submit the details of the contracted services to the Minister of Education for approval.

All school boards in the province participate in the program and it is entirely funded by the Department of Education.

IV. CAPITAL OUTLAY AND DEBT SERVICE

In accordance with Section 23 (5) of the *School Act* and following the requirement in Section 23 (1) the Department of Education will provide funding for capital expenditures to school boards. According to the Foundation Program the school boards receive funding for capital expenditures in the following categories:

(a) Renovations, Repairs and Equipment

The level of funding for 1990-91 was $35.00 per pupil for each pupil enrolled in schools that have been in operation for at least four years, (i.e. schools that are in their fifth year of operation during the 1990-91 school year) and $10.45 per pupil for each pupil enrolled in schools that are in the first, second, third or fourth year of operation.

The total cost to the Department of Education for renovations repairs and equipment in 1990-91 was $0.8 million which is 0.8% of its total budget.

(b) Bus Purchases

The Department of Education will provide each Regional School Board with funds to acquire additional and/or replacement buses. The Department of Education spent a total of $1.6 million on school bus purchases which is 1.5% of its total budget.

School Construction

The Minister of Education is responsible for school construction. School boards are authorized to borrow funds from the Province for capital expenditures for school construction by the Lieutenant Governor in Council and assume liability to repay it. For example if a new school is to be constructed within a given school board, The Department of Education will provide each Regional School Board with funds to cover principal and interest payments in accordance with repayment schedules.

Total expenditures in 1990-91 for school construction was $18.1 million.

Provincial Share: 100%

Local Share: None

Extent of Participation: All school boards receive funding for capital expenditure.

V. TEACHER RETIREMENT

Teachers' Superannuation Fund

PEI Teachers Superannuation Act (R.S. P.E.I., 1988)

Amount contributed to the Teachers Superannuation Fund in 1990-91 by teachers and employers was $8.0 million.

The Teachers' Superannuation Act states that teachers must contribute the agreed upon amount and the employer must match that amount. The employers' contribution to the Teachers' Superannuation Fund is part of the budget of each regional administrative unit provided by the Department of Education. A matching amount comes from the teachers' salary allotment which is also part of the budget of each regional administrative unit provided by the Department of Education. Employers' contributions to the Teachers' Superannuation fund is $4.0 million which is 3.7% of the total funds for education. The Teachers' Superannuation Fund is a completely separate entity and is distinguished from the General Revenue and Expenditures of the Province or the Department. The fund is administered by the Teachers' Superannuation Commission

Contributions to the Fund are matched with the Teachers and provincial government contributing equal amounts. Every teacher shall contribute to the Fund an amount which is:

(a) 7.5% of that part of the teacher's salary which is exempt from Canada Pension Plan,

(b) plus 5.7% of the teachers salary that exceeds the basic exemption up to the amount of the Yearly Maximum Pensionable Earnings

(c) plus 7.5% of that part of the teachers salary in excess of the Yearly Maximum Pensionable Earnings.

(d) plus 7.5% of the salary of a teacher whose employment is excluded from the Canada Pension Plan.

Extent of Participation: All Island teachers employed by the five Regional Administrative Units contribute to the Teachers' Superannuation Fund.

VI. SPECIAL EDUCATION

In accordance with the *School Act* Section 44 (1), (free school privileges for all school age children) and Section 44 (2), (the Minister of Education may provide free school privileges for a child with special needs or in special circumstances at a location other than a school in the Regional Administrative Unit in which the child is resident), the Department of Education provides an educational program which in some cases may or may not be distinct from the regular school program.

The Department of Education spent an estimated $7.3 million on special education staffing in 1990-91. It is an estimated 6.9% of the budget for education in the province.

Funding for some programs are provided by regional agencies which the Department of Education contributes to. In another case an educational program is provided in cooperation with another provincial government department.

Programs for special needs students include educational services for the hearing and visually impaired, students with learning disabilities, the mentally retarded, students with behavior disorders, students who are home-bound or hospital-bound and immigrant students who require English language training.

The system of special education on PEI is essentially a non-categorical system.

Provincial Share: The Department of Education provides all monies for this program.

Local Share: None

Extent of Participation: All Regional Administrative Units participate in programs for special needs students.

VII. COMPENSATORY EDUCATION

No special provisions.

VIII. GIFTED AND TALENTED EDUCATION

The costs for programs for gifted and talented are included the total education budget are not identifiable.

There are few programs which involve special funding for gifted and talented students. One program, which is part of the regular offerings, involves providing exceptional students enriched courses in senior high schools (Grades 10-12). A second program is an early admission option to P.E.I.'s only university, the University of Prince Edward Island. Exceptional students can enter into a university program without having completed the normal high school requirements. There is no cost to the Department of Education to have these students enter University through the early admissions program.

Provincial Share: 100 %

Local Share: None

Extent of Participation: All Regional Administrative Units offer enriched courses in senior high school as well as participate in the early admissions program.

IX. BILINGUAL EDUCATION

Core French, French Immersion and French-First-Language Education.

There is no legal requirement that the P.E.I. public school system provide French education for school age children of non-French speaking parents. Nonetheless, the P.E.I. public education system provides funding for Core French and French Immersion as part of the regular funding to the regional administrative units.

Regional Administrative Unit 5 has been delivering French-First-Language education since 1972. Since the institution of the *Charter of Rights and Freedoms* the province has had a constitutional responsibility to provide French-First-Language education to children of citizens of Canada whose first language is French, to children of citizens of Canada who have had their education in the minority language whether it is French or English and to children of citizens of Canada whose sibling(s) are receiving or have received their education in French, according to Section 23 of the *Canadian Charter of Rights and Freedoms*. The principles of Section 23 were made part of the *School Act* (section 50 and 51) in 1988. As a result of the institution of the *Charter of Rights and Freedoms* and the growth of the French speaking population on P.E.I., the boundaries of Unit 5 were expanded to include the entire province.

Core French is one of the subjects in the regular curriculum. French Immersion is a second language program which sees students receiving the majority of their education in French. In recognition of the fact that there is a significant need and desire to acquire French language skills, not to mention that the French community is an integral part of the fabric of P.E.I. and Canadian society, the Department of Education provides Core French instruction (one period per school day) and a French Immersion program. Second Language Education funding is included in regular formula for both staffing and program.

Regional Administrative Unit 5 has also been given the responsibility to administer the entire French-First-Language education system. Additional staffing and funding is provided over and above provincial formulae to Unit 5. Between 1972 and 1990 Regional Administrative Unit 5 was responsible for administering the French-First-Language education system in the segment of the province where a large number of the Acadian population resides. In 1990 they were given an expanded mandate which included administering the French-First-Language education system which is expanding to other areas of Prince Edward Island, i.e., a provincial mandate.

Provincial Share: The federal government contributes to French education at varying levels. The province benefits from the financial support provided by the federal government for additional costs associated with the delivery of French First- and Second-Language programs. For example, the federal government provided 75% of the costs of a new French school-community centre while the province paid the remainder.

Local Share: None

Extent of Participation: Schools in Units 1-4 participate in French Immersion and Core French programs. Schools in Unit 5 are the only participants in French-as-a-first language program.

X. OTHER CATEGORICAL PROGRAMS

Vocational Education

The Holland College Act (R.S.P.E.I. 1988, Cap. H-8)

The Department of Education spent $4.2 million on vocational education for senior high school students.

There are two types of vocational education in the province. Students in grades 11 and 12 have the option of taking credit courses in a particular vocational area and explore a possible future interest. These courses are part of the regular secondary school program. Formal vocational training is available through a community college after graduation.

The post-secondary vocational program and the secondary vocational program are difficult to distinguish in terms of finance as some Regional Administrative Units rely on the community college as a delivery site. Funding for post-secondary and secondary programs are not necessarily distinct and are part of the larger operating budget of the community college. In other Regional Administrative Units secondary vocational programs are delivered within the school.

Provincial Share: 100%

Local Share: None

Extent of Participation: All Regional Administrative Units provide vocational courses.

Professional Development

Professional Leave. Memorandum of Agreement Between the Province of P.E.I. and the P.E.I. Teachers' Federation, Section 21.

Department of Education spends $0.1 million on professional development. It is 0.1 % of the total budget.

Each teacher is granted up to five days to attend workshops or conventions. In addition Regional Administrative Units may grant professional leave to attend meetings or participate in activities of the Board and Department of Education or other meetings or activities furthering the cause of education.

Provincial Share: 100%, directly for actual costs or indirectly as part of the budget of the Regional Administrative Units.

Local Share: None

Extent of Participation: Teachers from all Regional Administrative Units attend professional development sessions. Each teacher attends an average of two professional development sessions during the school year.

XI. PROVINCIAL AID FOR PRIVATE SCHOOLS

Of the total students of school age, 0.3% attend the two small private schools and are therefore extra-ratio (99.7%). No funding is provided for private schools, although free textbooks for the authorized provincial curriculum are supplied by the Department of Education

XII. PROVINCIAL PROGRAMS FOR PREKINDERGARTEN EDUCATION

The province provides no support for Kindergarten or pre-Kindergarten education.

XIII. LOCAL SCHOOL REVENUE

There is no local revenue for education, except for miscellaneous revenue from rentals, etc.

XIV. PROVINCIALLY IMPOSED LIMITS ON SPENDING

School boards are authorized to spend only those amounts approved by the Minister per the *School Act*. Should boards overspend their budgets in any year, the amount of the over expenditure is deducted from the grants of the second year after the year of the deficit.

The Province sets property tax rates, assesses all property and collects taxes levied. All property is assessed by the Assessment Branch of the Revenue Division of the Department of Finance. P.E.I. residents receive a 50% reduction on property taxes while non-residents must pay 100%.

Property tax is unrelated to education expenditure.

XV. EARMARKED PROVINCIAL REVENUE

No provincial revenue is earmarked for education.

QUÉBEC

LE FINANCEMENT DES COMMISSIONS SCOLAIRES AU QUÉBEC 1990-1991

Ministère de l'Éducation
Direction générale des services
administratifs aux réseaux
Direction des affaires financières

FAITS SAILLANTS RELATIVEMENT AU FINANCEMENT DES COMMISIONS SCOLAIRES

- Les commissions scolaires sont constituées en vertu de la Loi sur l'instruction publique du Québec. Elles sont administrées par un Conseil des commissaires. Ces derniers sont élus par les votes des citoyens.

- Les commissions scolaires fournissent les services d'enseignement préscolaire, primaire et secondaire.

  Préscolaire: Généralement, l'enseignement préscolaire dure une année scolaire (maternelle 5 ans). Dans certains cas, cet enseignement débute plus tôt (maternelle 4 ans).

  Primaire: L'enseignement primaire s'étend sur 6 années scolaires.

  Secondaire: L'enseignement secondaire général comprend 5 années scolaires. L'enseignement secondaire professionnel débute après la quatrième secondaire et dure de 1 à 2 ans.

  La loi prévoit qu'un enfant doit fréquenter l'école jusqu'à l'âge de 16 ans.

- En 1990-1991, le nombre d'élèves des commissions scolaires s'élève à environ 1 103 000.

Maternelle 4 ans	7 000
Maternelle 5 ans	83 000
Primaire	558 000
Secondaire général — jeunes	385 000
Secondaire général — adultes	40 000
Secondaire professionnel jeunes et adultes	30 000

A ce nombre total d'élèves du réseau public des commissions scolaires, s'ajoute le nombre d'élèves du réseau privé qui est d'environ 100 000 élèves.

- En 1990-1991, le réseau public des commissions scolaires compte 202 organismes:

"Catholiques"	170
"Protestantes"	29
"Multiconfessionnelles"	3

La Loi sur l'instruction publique prévoit remplacer le statut "confessionnel" des commissions scolaires par un statut "linguistique," francophone ou anglophone, lorsque la Cour Suprême du Canada aura confirmé la validité constitutionnelle d'une telle approche.

- Les budgets 1990-1991 du réseau des commissions scolaires montrent des revenus totaux de 6,2 milliards $:

a) Revenus locaux	1 milliard $
b) Subvention du gouvernement	5,2 milliards $

- Les revenus locaux 1990-1991 de 1 milliard $ incluent plus de 700 millions $ représentant les revenus de la taxation foncière locale prélevée directement par les commissions scolaires sur la base de l'évaluation des immeubles imposables.

  La loi limite l'utilisation que peuvent faire les commissions scolaires du champ de l'impôt foncier qu'elles partagent avec les municipalités.

  Le revenu de taxation d'une commission scolaire ne peut excéder un montant établi à partir d'un per capita appliqué sur le nombre d'élèves. De plus, le taux de la taxe ne peut excéder 0,35$ du 100,00$ d'évaluation.

- Les subventions et allocations 1990-1991 du Gouvernement du Québec s'élèvent à environ 5,2 milliards $. Ces argents sont très majoritairement déterminés selon des critères objectifs et calculés sur une base à "priori."

  Pour les opérations, les allocations de base couvrent les activités éducatives des jeunes, des adultes et de la formation professionnelle puis les activités administratives et les équipements. A ces allocations de base de plus de 4,1 milliards $, s'ajoutent des llocations supplémentaires et spécifiques de 200 millions $.

- Le service de la dette amène une subvention de 400 millions $. Cette subvention défraie les coûts reliés aux emprunts à long terme des commissions scolaires. Les emprunts à long terme sont effectués en regard des activités d'investissement. En 1990-1991, les dépenses d'investissement budgétées sont de l'ordre de 320 millions $.

- Le transport scolaire génère des subventions de près de 400 millions $.

- Le Gouvernement verse une subvention de péréquation de 80 millions $ reliée à l'insuffisance des ressources fiscales.

I. ALLOCATION DE BASE POUR LES ACTIVITÉS ÉDUCATIVES DES JEUNES

Allocation du Ministère de l'Éducation 3 386,7 M$
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.1.1+1.6)

L'allocation de base pour les activités éducatives des jeunes sert à financer les enseignants et le coût du matériel didactique, le soutien à l'enseignement, les services complémentaires, la gestion des écoles et le perfectionnement des personnels concernés par ces services.

Cette allocation est déterminée comme suit:

1. Le nombre d'élèves reconnus par le Ministère de l'Éducation fréquentant les niveaux maternelle 5 ans, primaire et secondaire multiplié par le coût per capita des enseignants.

2. Le nombre d'élèves reconnus par le Ministère de l'Éducation multiplié par le coût per capita pour les dépenses éducatives autres que les enseignants.

3. Certains montants sont ajoutés en base complémentaire.

II. ALLOCATION DE BASE POUR LES ACTIVITÉS ÉDUCATIVES DES ADULTES

Allocation du Ministère de l'Éducation 175,8 M$
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.1.2+1.6)

L'allocation de base pour les activités éducatives des élèves adultes sert à financer les enseignants et le matériel didactique, le soutien à l'enseignement, les services d'accueil et d'aide, la gestion des centres d'éducation des adultes, le développement pédagogique et le perfectionnement des personnels concernés par ces services.

L'allocation de base pour l'éducation des adultes est calculé comme suit:

1. Le nombre total des élèves adultes transformé en heures-groupe multiplié par des taux uniformes pour les ressources humaines, matérielles et de soutien.

2. D'autres montants d'ajustements sont calculés.

3. Certains montants sont ajoutés en base complémentaire.

III. ALLOCATION DE BASE POUR LES ACTIVITÉS ÉDUCATIVES EN FORMATION PROFESSIONNELLE POUR L'ÉDUCATION DES JEUNES ET DES ADULTES

Allocation du Ministère de l'Éducation 189,6 M$
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.1.3)

L'allocation est constituée des éléments suivants:

1. Pour les services de formation

    a. Nombre d'élèves "équivalents temps plein" multiplié par le montant par élève applicable au coût des enseignants.

    b. Nombre d'élèves "équivalents temps plein" multiplié par le montant par élève applicable aux coûts des ressources de soutien et par celui applicable aux ressources matérielles.

2. Pour les autres services, des taux spécifiques sont établis pour chaque type de service fourni (autodidactes . . .).

3. Certains montants sont ajoutés en base complémentaire.

IV. ALLOCATION DE BASE POUR LES ACTIVITÉS ADMINISTRATIVES

Allocation du Ministère de l'Éducation 319,1 M$
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.1.4)

L'allocation de base pour les activités administratives sert à financer les activités ayant lieu au siège social de la commission scolaire (administration générale, l'informatique, administration des ressources humaines, gestion financière, administration du transport scolaire, . . .).

L'allocation est établi en multipliant le nombre d'élèves par un montant per capita propre à chaque commission scolaire. Ce per capita est fonction des particularités de chaque commission scolaire et est déterminé à partir d'indices sur lesquels on applique la méthode de la régression linéaire. Certains montants sont ajoutés en base complémentaire.

V. ALLOCATION DE BASE POUR LES ÉQUIPEMENTS

Allocation du Ministère de l'Éducation 64,6 M$
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.1.5)

L'allocation de base pour les équipements sert à financer l'entretien et la réparation, l'entretien ménager, la consommation énergétique, la location d'immeubles, la protection et la sécurité. Cette allocation tient compte à la fois du coût des personnels et des autres coûts reliés à ces éléments.

L'allocation est établie selon les indices reflétant les particularités de chaque commission scolaire notamment les superficies des bâtiments sur lesquels on applique la méthode de la régression linéaire. Certains montants sont ajoutés en base complémentaire.

VI. LES ALLOCATIONS SUPPLÉMENTAIRES ET SPÉCIFIQUES

Allocation du Ministère de l'Éducation 221,7 M$
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.2 et 1.3)

Les allocations supplémentaires sont reliées à des activités particulières comme l'éducation chrétienne ou l'expérimentation pédagogique. Elles couvrent aussi des besoins particuliers à certaines commissions scolaires selon leur situation géographique ou économique (résidences d'élèves, accueil d'immigrants). L'allocation reliée à la sécurité d'emploi des enseignants fait partie des allocations supplémentaires (32,0 M$). La principale allocation spécifique sert à financer les dépenses d'intérêts sur emprunts à court terme (82,0 M$).

Les différentes allocations supplémentaires ou spécifiques ont chacune leurs propres paramètres d'attribution. De plus, dans certains cas des analyses cas par cas sont effectuées:

A. Pour chaque allocation supplémentaire le service doit être rendu.

B. Pour chaque allocation spécifique les dépenses doivent être encourues.

VII. SERVICE DE LA DETTE

Subvention du Ministère de l'Éducation 391,8 M$
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 3)

Les revenus du service de la dette résultent en très large majorité de la subvention du Ministère reliée aux emprunts à long terme des commissions scolaires. Les emprunts à long terme servent à financer les activités d'investissement des commissions scolaires. En 1990-1991, les dépenses d'investissement budgétées sont de l'ordre de 320 millions $.

VIII. TRANSPORT SCOLAIRE

Subvention du Ministère des Transports 371,4 M$
Règles budgétaires du Ministre des Transports concernant le transport des élèves.

Le Ministère des Transports du Québec subventionne le transport scolaire du matin et du soir. Cette subvention couvre la grande majorité des dépenses à ce titre. Elle est calculée à partir du nombre d'élèves. Les parents sont souvent appelés à contribuer pour le transport du midi.

IX. SUBVENTION DE PÉRÉQUATION

Subvention du Ministère de l'Éducation 80,3 M$
Loi sur l'instruction publique: article 475 (règles budgétaires annuelles: chapitre 2.1.2.2

La subvention de péréquation est établie à la suite de la détermination de l'insuffisance des ressources fiscales d'une commission scolaire.

D'abord, un montant est calculé pour chaque commission scolaire à partir d'un per capita appliqué sur le nombre d'élèves pondérés: "Produit maximal de la taxe." Si le produit potentiel d'une taxation à 0,35$ / 100,00$ d'évaluation est inférieur au "Produit maximal de la taxe," la subvention de péréquation vient combler l'écart.

X. TAXATION

Loi sur l'instruction publique: articles 302 à 353 718,9 M$

Les commissions scolaires peuvent imposer une taxe foncière basée sur l'évaluation uniformisée des immeubles imposables selon les rôles d'évaluation des municipalités.

A moins d'avoir reçu par referendum l'approbation de ses électeurs, une commission scolaire ne peut imposer une taxation dont le revenu est supérieur au "Produit maximal de la taxe" ou dont le taux excède 0,35$ du 100,00$ d'évaluation.

Le "Produit maximal de la taxe" est établi selon un montant par élève pondéré.

XI. AUTRES REVENUS 273.7 M$

Les autres revenus correspondent principalement aux revenus spécifiques que les commissions scolaires reçoivent en regard de diverses activités. On peut mentionner les frais chargés pour les services alimentaires, les services de garde, les locations d'immeubles, ... Ce montant inclut une subvention de 50 M$ provenant du Ministère de la Main-d'Oeuvre et Sécurité du Revenu pour l'année 1990-1991.

QUEBEC

GENERAL BACKGROUND

- School boards (commissions scolaires) are constituted under Quebec's Education Act (Loi sur l'instruction publique de Québec). They are administered by a board of commissioners (Conseil des commissaires). The latter are elected by popular vote of the people.

- The school districts provide pre-school, primary, and secondary education defined as follows:

  Pre-school: Generally, pre-school education (l'enseignement préscolaire) lasts one year ("maternelle 5 ans" — nursery school or kindergarten for children 5 years of age). In certain cases, education begins earlier ("maternelle 4 ans" — junior kindergarten for children of 4 years of age).

  Elementary: Elementary education (l'enseignement primaire) extends for 6 years of schooling.

  Secondary: General secondary education (l'enseignement secondaire général) is comprised of 5 years of school, i.e., through the 11th grade. Vocational education (l'enseignement secondaire professionnel) begins after the fourth year of secondary school (10th grade) and lasts from one to two years.

The law requires that children must attend school until they are 16 years of age.

- In 1990-91, the number of students enrolled in school boards was about 1,103,000.

Junior kindergarten	7,000
Kindergarten	83,000
Elementary	558,000
General secondary — minors	385,000
General secondary — adults	40,000
Vocational training — minors and adults	30,000

In addition to public school enrollments, there are approximately 100,000 students enrolled in private schools.

- In 1990-91, there were a total of 202 public sector school boards, broken down as follows:

"Catholic"	170
"Protestant"	29
"Multi-confessional"	3

The (Education Act) forsees for the replacement of confessional school boards with linguistic boards (francophone or anglophone), once the Supreme Court of Canada has confirmed the constitutional validity of such an approach.

- The 1990-91 budgets for the public school system showed revenue totalling $6.1 billion:

a) Local revenue	$.9 billion
b) Transfer grants from government	$5.2 billion

- The 1990-91 local revenues of $.9 billion includes more than $600 million representing the revenues of local real estate taxes levied directly by the school boards on the assessed value of taxable property.

The law limits the use that school boards may make of real estate taxation since this tax base is shared with municipalities.

The tax revenue for a school board may not exceed a per capital amount based upon the number of students. In addition, the tax rate may not exceed $.35 per $100 of evaluation, or 3.5 mills.

- The 1990-91 grants and allowances from the Government of Quebec rose to about $5.2 billion. The funds are for the most part determined in accordance with objective criteria and calculated on an a priori basis.

  For operations, the basic allowances covers the educational activities of minors, of adults, and of professional development plus the cost of administration and equipment. To these basic allotments of over $4.1 billion, there is an additional supplementary and specific allocations of $200 million.

- Debt service requires a subsidy of $400 million. This subsidy defrays the costs related to the long term borrowing of school boards. The long term borrowing reflects capital development. In 1990-91, the capital expenditure was on the order of $320 million.
- School transportation generated grants of close to $400 million.
- The government provided an equalization grant of $80 million to offset insufficient fiscal resources at the local level.

I. BASIC ALLOCATIONS FOR THE EDUCATION OF MINORS

Allocation from the Ministry of Education: $3 386.7 million.
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.1.1 + 1.6)

The basic allocation for the education of minors serves to pay teachers and the cost of classroom materials, instructional support, complementary services, school management, and the further training of personnel concerned with these services.

This allocation is determined as follows:

1. The number of students recognized by the Ministry of Education as being enrolled in kindergarten, elementary and secondary programs is multiplied by the per capita cost of teachers salaries.

2. The number of students recognized by the Ministry of Education is multiplied by the per capita cost of expenses from sources other than teachers' salaries.

3. Other amounts are added to the basic allocation.

II. BASIC ALLOCATION FOR ADULT EDUCATION

Allocation from the Ministry of Education: $175.8 million.
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.1.1+1.6)

The basic allocation for adult education is given in support of teachers and classroom material support services, counselling and student aid services, administration of adult education centers, instructional development and the professional development of those concerned with these services.

The basic allocation for adult education is calculated as follows:

1. The number of adult students is transformed into class-hours and multiplied by uniform rates for human resources, material and support.

2. Some adjustments are calculated.

3. Other amounts are added to the basic allocation.

III. BASIC ALLOCATION FOR VOCATIONAL TRAINING FOR MINORS AND ADULTS

Allocation from the Ministry of Education: $189.6 million.
Loi sur l'instruction publique: article 472(règles budgétaires annuelles: chapitre 1.1.3)

The allocation is made up of the following elements:

1. For instructional services

    a. Number of full-time equivalent students multiplied by the cost per pupil of the teachers' salaries.

    b. Number of full-time equivalent students multiplied by the cost per pupil of the applicable support services and resource materials.

2. For other services, specific rates are established for each type of service provided (e.g., independent study, etc.)

3. Certain amounts are added to the basic allocation.

IV. BASIC ALLOCATION FOR ADMINISTRATION

Allocation from the Ministry of Educa[illegible] $319.1 million.
Loi sur l'instruction publique: article 47[illegible]ègles budgétaires annuelles: chapitre 1.1.4)

The basic allocation for administrative activities finances the central office of the school board (general administration, information systems, management of human resources, fiscal management, administration of transportation, etc.)

The allocation is established by multiplying the number of students by a per capita amount appropriate for each school district. This per capita amount is a function of the unique characteristics of each district and is determined in part from indices on which linear regression analysis is applied. Certain amounts are added to increase the basic allocation.

V. BASIC ALLOCATION FOR EQUIPMENT

Allocation from the Ministry of Education: $64.6 million.
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.1.5)

The basic allotment for equipment is meant to cover the costs of maintenance and repair, janitorial services, energy consumption, rental of buildings, protection and safety. This allocation is computed on the basis of both the cost of personnel and of other items related to these services.

The allotment is established on the basis of indices reflecting the unique characteristics of each school board, notably the total floor space of the buildings, on which a multiple linear regression is applied. Certain additional amounts are added to increase the basic allocation.

VI. SUPPLEMENTARY AND SPECIFIC GRANTS

Allocation from the Ministry of Education: $221.7 million.

Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 1.2 et 1.3)

The supplementary grants are related to particular activities such as Christian education or experimental instructional programs. They also cover special needs of school boards related to geographical or economic situations (e.g., student residences or the welcoming of immigrants). An allotment that provides for security of employment for teachers is made as part of the supplementary allocations ($32.0 million). The principal specific grant is meant to finance the interest costs of short term borrowing ($82.0 million).

The different supplementary or specific grants are each based on their own set of parameters. In addition, in certain situations case by case analyses are made to ensure the following:

A. For each supplementary grant the service must be given.

B. For each specific grant the expenses must be incurred.

VII. DEBT SERVICE

Subsidy from the Ministry of Education: $391.8 million.
Loi sur l'instruction publique: article 472 (règles budgétaires annuelles: chapitre 3)

The expense for servicing debt is covered for the most part from subsidies provided by the Ministry that are related to long term borrowing by school boards. Long term borrowing is used for capital construction. In 1990-91, the capital expenses were on the order of $320 million.

VIII. SCHOOL TRANSPORTATION

Subsidy from the Ministry of Transportation: $371.4 million.
Budget regulations from the Minister of Transportation concerning the transportation of students.

The Ministry of Transportation of Québec subsidizes morning and afternoon school transportation. This subsidy covers the great majority of expenses of this type. It is calculated in part based on the number of students. Parents are often called upon to provide lunch-time transportation.

IX. EQUALIZATION SUBSIDY

Allocation from the Ministry of Education: $80.3 million.
Loi sur l'instruction publique: article 475 (règles budgétaires annuelles: chapitre 2.1.2.2)

The equization subsidy is established following the determination that a school district has insufficient fiscal resources.

Therefore, the amount is calculated for each school district in part based upon a per capita allocation applied to the weighted number of regular students to give the "maximum yield of the basic tax." If the potential yield of a tax of $0.35 per $100 of assessed valuation is less than "maximum yield of the tax," the equalization subsidy makes up the difference.

X. TAXATION

Loi sur l'instruction publique: $588.5 million (articles 302 to 353).

The school boards must impose a property tax based on the equalized assessment of taxable real estate carried on the assessment rolls of their municipalities.

Unless approved by a referendum of their electors, a school board may not impose a tax that raises revenue above the "maximum [per pupil] yield of the tax" or that exceeds a rate of $0.35 per $100 of assessed valuatic

The "maximum yield of the tax" is established in accord with an amount based on a weighted student enrollment.

XI. OTHER REVENUES

Other revenues that school boards receive from specific revenues from various activities, such as charges for food services, day care, building rental. This amount includes a $50 million subsidy provided by the Ministry of Manpower and Security of Employment for the year 1990-1991.

XII. AID FOR PRIVATE SCHOOLS

Three classes of private schools are designated in the Act Respecting Private Education (Loi sur l'enseignement privé): (1) private schools holding a teaching permit; (2) institutions declared in the public interest; and (3) institutions recognized for grant purposes.

Per-pupil grants for institutions declared in the public interest ranged from $1,391 (kindergarten) to $6,161 (biology technology) in 1991-92; for those recognized for grant purposes they ranged from $1,016 to $4,621. Schools with teaching permits receive no government funding. On May 15, 1991, revised legislation was introduced by the Quebec government; it calls for major changes to current legislation.

SASKATCHEWAN

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I. GENERAL BACKGROUND

- There are 115 school divisions in Saskatchewan, including 22 Roman Catholic Separate divisions. Enrollment in 1990-91 totaled 196,566 students in the public Kindergarten to Grade 12 system, and 3,249 students in private schools and special schools.
- The revenue sources for school divisions are through provincial funding, local support from property taxes, and through tuition fee arrangements.

Provincial Support

- The provincial government funds about 50% of total K-12 expenditures in Saskatchewan.
- A total of $445.5 million was provided in 1990-91 for K-12 education through the Foundation Grant Formula, capital funding, the Education Development Fund, and private school funding. An additional $90.8 million was provided for teachers' pensions and benefits.
- The Foundation Grant Formula was implemented in 1970 and its main objective is to ensure that funding is distributed equitably to school divisions so that all students have equal access to quality education. Funding is distributed to school divisions based on their enrollments and their ability to raise local tax revenue. Those divisions that have a greater ability to raise local tax revenue and that have low enrollment levels receive less provincial funding and vice versa.
- Saskatchewan provided $362.2 million in 1990-91 to school divisions and private schools through the Foundation Grant Formula.
- Capital funding for educational facilities is approved by the province and is shared on average 80% by the province and 20% by the school division. The provincial share is reimbursed to the school divisions by repayment of the capital long-term debt on approved capital projects. Saskatchewan provided $69.5 million in 1990-91 for the repayment of long-term debt.
- The Education Development Fund (EDF) provides conditional grants to school divisions to finance new initiatives for educational improvement at the local level. The EDF, established in 1985, is a ten-year program which provides funding for three priority areas: learning resources, efficiency measures, and program improvement initiatives. The province provided $13.8 million in EDF funding in 1990-91.
- With regard to private school funding, elementary schools do not receive provincial funding, but secondary schools are eligible if they have been in operation for at least five years and enrollment for the last two years has exceeded 60 pupils. The main source of funding for private schools is tuition fees. The province provided $2.4 million in private school funding in 1990-91.

- Saskatchewan Education also contributes to the teachers' pension fund, group life insurance plan and dental plan. Provincial funding for these programs is independent of K-12 funding. A total of $90.8 million was provided for teachers' pensions and benefits in 1990-91.
- All school divisions, with the exception of four large comprehensive high schools divisions, are fiscally independent. The comprehensives derive most of their revenue from tuition fees from other school divisions.

Local Support

- School divisions levy their own mill rates on taxable assessed residential and non-residential property. The taxes are collected by the municipalities on behalf of the school divisions. Local property tax revenue totaled $435.6 million in 1990-91.
- Other sources of revenue for school divisions include tuition fees from other school divisions and the federal government.

II. THE BASIC SUPPORT PROGRAM

The 1990-91 Foundation Grant Formula

Saskatchewan statute *The Education Act* (Part V — Section 304), and *The School Grant Regulations 1990* define the details of The Foundation Grant Formula.

The provincial government provides operating funding to school divisions through the Foundation Grant Formula administered by Saskatchewan Education. In 1990-91, Saskatchewan Education provided a total of $362.2 million to school divisions (including private schools), which represents 81% of the total funds distributed to K-12 school divisions.

The objectives of the Foundation Grant Formula are:

- to provide a desirable and realistic level and range of programs and services without unduly high local tax rates;
- to enable school divisions to retain full local autonomy; and,
- to avoid undue hardship for school systems affected by circumstances beyond their control such as enrollment fluctuations.

The formula ensures that funding is distributed equitably to school divisions so that all students have equal access to quality education. The formula distributes funding in such a way that school divisions with a greater ability to raise tax revenue locally receive proportionately less provincial funding, and vice versa. Grants are not calculated as a percent of expenditure.

The size of grants is determined by need (recognized expenditures - enrollment x basic rate) and ability to pay (recognized revenue - taxable assessment x equalization factor). The basic formula, therefore, is:

GRANT = Recognized Expenditures - Recognized Revenue

Provincial Share: The foundation grant formula ensures a set per pupil rate, comprised of provincial grant and local taxation. The per pupil rate varies with grade level and whether the school is in a rural or an urban division. The 1990-91 rates are:

	Rural	*Urban*
Kindergarten	$1,513	$1,434
Division 1 & 2	2,920	2,783
Division 3	3,168	3,021
Division 4	3,583	3,427

Adjustment Factors

The **Declining Enrollment Factor** assists school divisions that experience enrollment declines for two consecutive years or more. It provides school divisions with a financial cushion while they adjust to declining enrollment. The basic funding program is increased based on 60% of the enrollment drop between the present year and previous year plus 40% of the enrollment drop between the previous year and the year previous to that one.

The **Sparsity Factor** assists rural school divisions that have relatively low enrollment levels over rather large geographical areas. The rationale for this factor is that the cost of providing the education service increases as the density of students in a school division decreases.

The **Small School Factor** assists rural school divisions that operate schools with low enrollments per grade. Funding is provided when enrollment in any grade is less than 20 and the funding is capped at 10 pupils per grade. A distance component was recently added whereby small school funding increases as distance between schools increases. Funding remains at 100% where schools are greater than 30 kilometres apart and decreases to 50% where schools are less than 10 kilometres apart.

Increased enrollment and continuous enrollment increases are also recognized. If enrollment in a school division increases by more than 1% from September to March in a school year, the grant is recalculated with respect to any enrollment increase in excess of 1%. If enrollment increases by more than 1% for two consecutive years, the previous year's increase up to 1% is recognized.

Recognized Incremental Rates

Incremental rates are recognized conditional funds for specified programs and are in addition to the basic per pupil rates.

Funding for **comprehensive high schools** is at $264 per pupil for 1990-91.

School divisions must provide appropriate education services for their students with **special learning needs**. The department assists school divisions in financing the cost of education for those pupils.

Special Needs Program Funding (SNPF), introduced in 1990, makes funds available to support programs for learning disabled, emotionally disturbed, slow learners, educable mentally handicapped, gifted learners and pupils with speech and language difficulties.

Designated Disabled Pupil Funding (DDPF) makes funds available for pupils who are designated as high cost with one or more of the following conditions: visually impaired; hearing impaired; trainable mentally retarded; orthopedically disabled; chronically health impaired; or multiple disabled. Depending on the severity of the conditions, pupils are classified as High Cost 1 at a rate of $4,306 per year, or High Cost 2 at a rate of $6,423 per year.

Transportation and Room and Board Allowances

Conditional funding within the foundation grant is available for the transportation of rural, urban, and special education students, as well as for transportation by parents, and for room and board.

Rural transportation is recognized on a student and per kilometre basis (actual kilometres traveled, return trip) regardless of the actual expenditure for the service. The rates are a maximum $128 per pupil per year plus a maximum $14[illegible] per daily kilometre per year.

Urban transportation is recognized where the distance traveled by pupils is greater than the maximum distance traveled by pupils in established attendance areas. The reasons for this may include: a new subdivision does not have a school yet; the local school has been closed; the local school is full; certain programs are not offered locally; or, attendance at a designated school. Recognition may also be given when: a significant hazardous barrier to walking exists; the distance to school is in excess of 4 kilometres; or, teachers provide services at two or more schools.

Urban transportation is based on a total aggregate of the urban transportation per pupil expenditure to a maximum per pupil rate. The maximum rates are $402 per pupil per year, or $1.98 per pupil per day.

Special education transportation is available for designated special needs students. Arrangements are recognized on a yearly basis or a mileage basis depending on the need. The maximum rates are $219 per pupil per month.

Room and board allowances and transportation by parents are recognized. The rates for room and board are a maximum of $406 per month for high cost pupils and $294 per month for other pupils. The rate for transportation by parents is up to $.2464 per kilometre.

Other Expenditure Categories

Additional funding within the foundation formula is available for the Shared Services and Second Language programs.

There are 17 **shared services** areas in Saskatchewan. The school divisions within each **shared services** area may enter into joint contracts to employ specialists (speech therapists, child psychologists) for special education. The department funds each school division its portion of a maximum of three positions per shared service area.

Second Language Programs are recognized in the foundation grant and are cost-shared with the federal government. Costs are recognized for both the first year implementation of new or expanding programs, and for the ongoing annual costs of maintaining such programs.

French Instruction Time	*Annual*	*Implementation*
0 - 24% of instruction	$213 per student	$43
25 - 49%	300	85
50 - 100%	391	135
75 - 100%	492	189

Other Recognized Expenditures

Other expenditures that may be recognized within the foundation grant include:

- rental of facilities
- unexpectedly high expenditures on substitute teachers
- employing substitute teachers when the regular teacher is attending a departmentally-approved seminar or workshop

Local Support: School divisions have the authority to levy a mill rate on taxable assessed property within their jurisdiction to raise funds locally for education. The tax revenue is collected by the municipalities on behalf of the school divisions.

The fiscal capacity of a school division is determined by its ability to raise tax revenue locally which is defined as the total assessed value of property within a school division multiplied by an equalization factor which approximates the weighted-average provincial mill rate. School divisions with a large assessment base have higher recognized revenue, and therefore receive a lower grant, and vice versa.

Extent of Participation: All school divisions in the province are eligible for funding from the Foundation Operating Grant formula if their recognized expenditures exceed their recognized revenues. The formula of Recognized Expenditures - Recognized Revenues left only two school divisions without foundation operating grant funding in 1990-91. In these two cases the ability to generate local revenues through the property tax exceeded the expenditures recognized in the formula.

III. TRANSPORTATION

See Section II — Basic Support Programs

IV. CAPITAL OUTLAY AND DEBT SERVICE

Saskatchewan statutes *The Education Act* (Part V - Section 305), *The Government Organization Act* (Section 18) and *The School Grant Regulations 1990* (Part VII & VIII), define the details of **School Capital Expenditures and Funding.**

In 1988, the department implemented an approval-in-principle system that gives school divisions up to two years' notice of a project approval. As part of the approval procedure, divisions are required to submit annually a five-year projection of capital requirements.

Approvals are granted in three-year cycles. As funds for school projects can be released only in the current fiscal year, approvals for the second and third years are issued "in principle" only. During this period school divisions may undertake design work but are not reimbursed for design fees until final approval is issued.

In 1990-91, 93 capital projects including 5 new schools and 6 major additions were given final approval and completed. The total amount of construction was $41.3 million.

Provincial funding for school capital, in the form of repayment of long-term debt, was $69.5 million, or 15.6% of provincial funding to school divisions.

In addition, 11 projects totaling $23 million were given approval "in principle" for the next two years.

Capital Outlay

The responsibility for funding capital projects is shared between the province and school divisions. Provincial support ranges between 72% and 88%, with the provincial average at 80% of total project cost. School divisions must finance the remaining 20% of project cost.

School divisions may choose to finance all or part of the project through loans or debentures approved by the Saskatchewan Municipal Board, or with funds that have accumulated in local reserves or surpluses. To assist in the assurance of financial integrity in local governments in Saskatchewan, approval of the Municipal Board is required on any debt that extends beyond the current fiscal year.

Debt Service

Loans. Subject to approval by the Saskatchewan Municipal Board (S.M.B.), a school division may take out a loan to finance all or part of the long-term debt retirement incurred for a capital project. The term of the loan and the interest shall be determined by the S.M.B.

If an S.M.B.-approved loan is used as part of the department's share of long-term debt retirement, the department will reimburse the school division for the principal and interest costs of the loan over its full term.

Debentures. Subject to approval by the Saskatchewan Municipal Board (S.M.B.) a school division may issue debentures to finance all or part of the long-term debt retirement incurred for a capital project. The minimum amount of debentures is $200,000 and the maximum amount is determined by the S.M.B. The term of the debenture issue is fixed at ten years. Interest on debentures is determined by the S.M.B.

If debentures are used as part of the department's share of long-term debt retirement, the department will reimburse the division for the principal and interest costs of the debenture issue as well as the additional costs associated with the printing and marketing of the issue.

Reserves or Surpluses. In lieu of debentures or capital loans, a school division may choose to use funds that it has accumulated in its own local reserve or surplus as a portion of the required funding for a capital project. If this occurs, the government replenishes the capital reserves or surpluses used.

The repayment of reserves begins in the year following the year in which final funding is approved. The term of the replenishment is one year for each $10,000 with a minimum of three years and a maximum of five years. Where the reserve is less than $10,000 the term will be one year.

Interest on the reserve is set at 2% below the prime lending rate at the time of final project approval.

V. TEACHER BENEFITS

The Teachers' Superannuation Commission consists of three teacher representatives, three government representatives, and a chairperson chosen by the representatives. The Commission administers the delivery of teacher benefit programs under the following legislation:

1. *The Teachers' Superannuation Act* provides superannuation benefits to approximately 20,000 teachers, including part-time and substitute teachers.

   There are two pension plans for teachers in the province: a defined-benefit plan for teachers who began teaching before 1980 and an annuity plan for those who started after that date. The provincial government provides matching contributions to both plans.

   (As of July 1, 1991, the annuity plan was replaced by a new pension plan for which the teachers themselves, through the Saskatchewan Teachers' Federation, have full legal and administrative responsibility.)

2. *The Teachers' Life Insurance (Government Contributory) Act* provides life insurance benefits to approximately 15,900 participants.

3. *The Teachers' Dental Plan Act* provides dental benefits to approximately 25,000 teachers and dependents.

Administrative expenses, total dental benefits and 50% of teacher insurance premiums are funded by the provincial government. Pension costs are shared by the government and the teachers.

In 1990-91, the Saskatchewan government contributed $87 million for teacher pensions, $1.2 million for life insurance, and $2.6 million for the dental plan, for a total of $90.8 million for teacher benefits.

VI. SPECIAL EDUCATION

See Section II — Basic Support Programs

VII. COMPENSATORY EDUCATION

See Section II — Basic Support Programs

VIII. GIFTED AND TALENTED EDUCATION

See Section II — Basic Support Programs

IX. BILINGUAL EDUCATION

See Section II — Basic Support Programs

X. OTHER CATEGORICAL PROGRAMS

Education Development Fund

The Education Development Fund (EDF) provides conditional grants to school divisions to finance new initiatives for educational improvement at the local level. The EDF, established in 1985, is a ten-year program and provides funding to three priority areas: learning resources, efficiency measures, and program improvement initiatives.

In 1990-91, $13.8 million was allocated to school divisions from the EDF, or 3.1% of provincial funding to school divisions for K-12 education.

XI. PROVINCIAL AID FOR PRIVATE HIGH SCHOOLS

A private high school is eligible for a grant if it meets the following criteria:

- has been in operation for a period of not less than five years;
- has had an enrollment during each of the preceding two years of operation of not less than 60 pupils in grade 9 to 12;
- meets the requirements of the Acts and Regulations with respect to courses of study, qualifications of teachers, operating schedules, and supervision by the department; and,
- furnishes the department with any information that the department may require with respect to finances, structure and administration of the schools.

Private high schools are also eligible for capital grants in an amount equal to 20% of the recognized costs of the facilities.

1990-91 operating funding for private schools totaled $2.4 million.

XII. PREKINDERGARTEN EDUCATION

No funds are provided for prekindergarten education through the education funding system.

XIII. LOCAL SCHOOL REVENUE

Property assessment in Saskatchewan is done under the auspices of the Saskatchewan Assessment Management Agency (SAMA). The agency is administered by a Board representing the three local governments (Saskatchewan Association of Rural Municipalities, Saskatchewan Urban Municipalities Association, and the Saskatchewan School Trustees Association) and the provincial government. With the exception of the four large cities, which have their own assessors, SAMA does all assessments in the province.

The six property classes are residential, commercial, railway, pipeline, resource, and agricultural. In general, municipal, school, provincial, federal and church properties are exempt from property taxation. Most provincial and federal agencies pay a grant-in-lieu of taxes.

In 1990 the assessment base in Saskatchewan was $6.5 billion.

The property tax system in the province is based on the assessment value of property times a locally charged mill rate. The assessed value of property is based on the 1965 base evaluation of land, business taxation and construction replacement cost. The mill rate is 1/1000th of 1 dollar.

The Department of Education recognizes a provincial equalization factor in the Foundation Operating Grant, although the actual mill rate charged is decided by the local school division. In 1990 the equalization factor was 56 mills while the actual provincial weighted average mill rate was 65.5 mills. School divisions generate unrecognized additional revenues equivalent to 9.5 mills.

It is the assessment of each school division that determines the equalization in the provincial operating grant system. As the assessment of school divisions decrease the operating grant compensates for the loss in revenues on a one-to-one ratio up to the equalization factor.

XIV. TAX AND SPENDING LIMITS

School divisions have no restrictions on mill rates they may set.

XV. EARMARKED PROVINCIAL FUNDS

No provincial revenues are earmarked for education.

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